

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

**FINANCIAL REPORT &
STATEMENT OF ACCOUNTS
FOR THE
YEAR ENDED 31ST MARCH 2014**

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Foreword

Introduction

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

The financial year 2013/14 was the third consecutive year of government imposed austerity programme arising from the comprehensive spending review 2010 to address the national budget deficit due to the international banking crises.

2013/14 also represents the second financial year under the revised governance arrangements which abolished Police Authorities and replaced them with directly elected Police and Crime Commissioners to hold Chief Constables to account on the delivery of operational policing. Both of these roles are established legally as individual Corporations Sole. The review of the effectiveness of the governance arrangements is detailed within the Annual Governance Statement that accompanies these statements of Account.

Statutory Framework for the Statement of Accounts

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

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

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

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

Format of the Statement of Accounts

The Statement of Accounts comprises the following:

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

Information published with the Statement of Accounts includes:

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

Explanation of Main Statements - including intra group transfer of funding

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

Comprehensive Income and Expenditure Statement

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

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

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

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

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

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

Movement in Reserves Statement

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

Cash Flow

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

Balance Sheet

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

Operational Performance and Value For Money arrangements

Whilst the Statement of Account are primarily focussed on the reporting of financial activity for the year it is also important to reflect on the delivery of Value For Money and key operational performance indicators. The Value For Money target to achieve a balanced budget outturn for 2013-14 was met for the third consecutive year with £26M of cash releasing savings delivered over the three years. However the austerity programme is set to continue and further savings of £36M are forecasted to be required over the next four years which will be a considerable challenge over the medium term.

With regard to operational performance the following headlines are noteworthy:

Achievements force-wide in 2013/14

MAKING EVERY CONTACT COUNT

- ❖ 94.2% of 999 calls were answered within 10 seconds, which is 4.2% above the national target.
- ❖ 91.1% of non emergency calls were answered within 40 seconds.

EQUALITY, DIVERSITY AND HUMAN RIGHTS

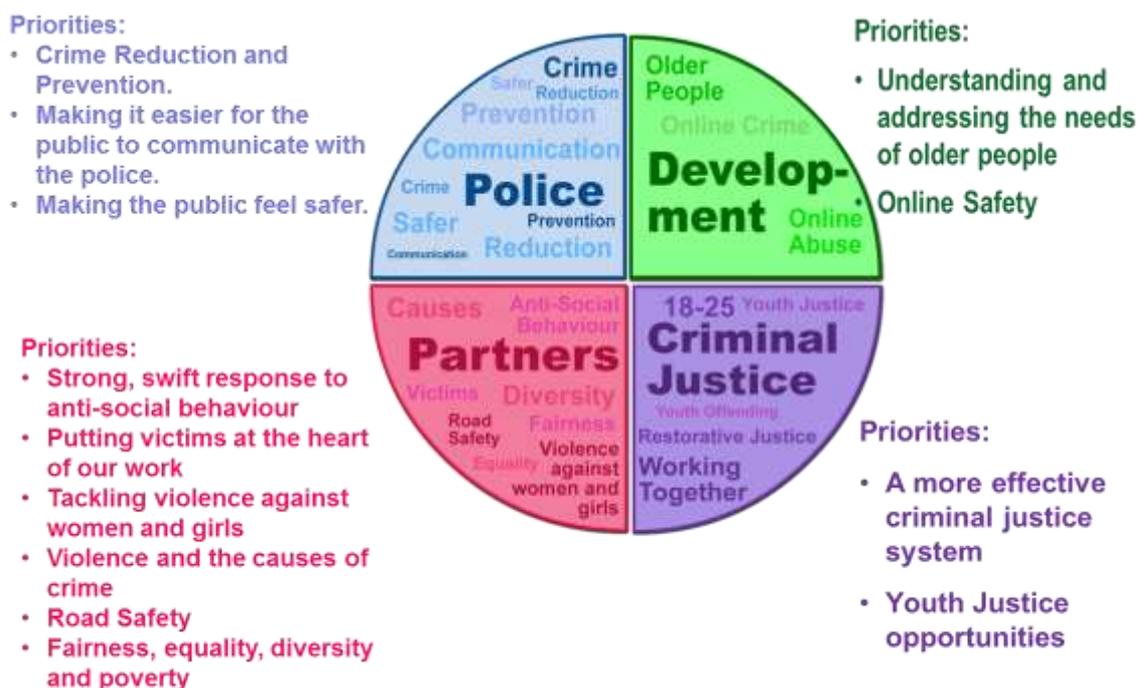
- ❖ Overall victim satisfaction for Black and Minority Ethnic victims has increased from 81.3% at the end of 2012-13 to 85.9% in 2013-14.
- ❖ Hate related occurrences and hate related crimes increased in line with the Force aim to increase reporting of these offences.

QUALITY OF SERVICE

- ❖ South Wales Police recorded an overall crime detection rate of 33.8% for 2013-14.
- ❖ There was a 13.3% reduction in domestic burglaries compared to 2012/13 and the outcome rate increased by 4.9% to 38.4% in 2013/14.
- ❖ The outcome rate for violence with injury increased to 63.3%.
- ❖ Vehicle crime reduced by 10.2% compared to 2012-13.
- ❖ The number of criminal damage offences fell by 4.0% compared to 2012/13.
- ❖ Overall victim satisfaction stood at 89.7%, up from 86.2% in 2012/13.

Future Activities

The Police and Crime Commissioner for South Wales Police has in place a rolling four year plan which is reviewed and updated annually. This Police and Crime Reduction Plan sets out in detail the priorities and outcomes expected and is illustrated below:



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

The Police Reform Social Responsibility Act 2011 requires a second stage transfer, to align resource responsibility with functional responsibility. This Stage 2 transfer is designed to allow elected Commissioners the freedom to make appropriate arrangements about how their functions and those of the police force will be discharged in future. In establishing these local arrangements the Commissioner will consult with the Chief Constable.

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

Under the terms of the Act, the Commissioner must submit his proposals for Stage 2 transfer to the Home Secretary for approval with the expectation that Stage 2 transfers will occur by April 2014. The stage 2 requirements for South Wales Police have now been approved and implemented but will be reflected in the 2014-15 Statements of Account.

As we now enter the fourth year of the CSR2010, the Chancellor has revised some of the national projections on economic growth and budget deficit and made further reductions on Department Expenditure Limits for 2014/15 and beyond.

The Medium Term Financial strategy has recognised the continued austerity programme implications and forecasted efficiency savings of £36M net of a 5% precept strategy are

projected. Whilst South Wales has had positive assurances on its approach to austerity from Her Majesty's Inspectorate of Constabulary by delivering savings and improving policing services it is self evident that the delivery of the forecasted savings programme presents a significant challenge and risk over the medium term. The Chief Constable and the Commissioner are committed to ensuring that front line policing services will be maintained and will work with partners to achieve this.

Chief Financial Officer

Dated:

27 June 2014

Chief Financial Officer

Dated:

29 September 2014

ANNUAL GOVERNANCE STATEMENT OF THE CHIEF CONSTABLE OF SOUTH WALES POLICE

Corporate Governance Statement

The Accounts and Audit (Wales) Regulations 2010 require that the Annual Governance Statement (the “Statement”) accompanies the Statement of Accounts. As permitted, the Chief Constable of South Wales Police has elected to publish the Statement with the Statement of Accounts in a single document.

Regulation 4 of the Accounts and Audit (Wales) Regulations 2005 imposes a responsibility on the Commissioner for conducting a review at least once a year of the effectiveness of its system of internal control and to include a statement on internal control, prepared in accordance with proper practices, with any statement of accounts. The Statement is a statutory document which explains the governance processes and procedures in place to enable the Chief Constable to carry out his functions effectively. The Statement describes the Chief Constable’s (and the Police and Crime Commissioner’s) internal control environment, explains how the governance framework has been applied, comments upon its effectiveness and how this has been reviewed, and identifies future challenges.

The Chief Constable believes that good governance arrangements are the foundations on which he establishes his policies and the services he delivers to the community. At the same time, however, governance itself must adapt to changes in circumstances. Public bodies must be responsive to developments in services, expectations and the actions of other stakeholders.

This Statement is the opportunity to ensure that the fundamentals of good governance remain in place and that they are responding to internal and external changes. In drafting this Statement reliance has also been placed on the governance processes within the Office of the Police and Crime Commissioner for South Wales, as reflected in the Commissioner’s Annual Governance Statement which is published alongside the accounts of the Chief Constable.

1. SCOPE OF RESPONSIBILITIES

Pursuant to the Police Reform and Social Responsibility Act 2011 (the 2011 Act), both the Commissioner and the Chief Constable became corporations sole¹ and the Policing Protocol Order 2011 sets out the policing governance arrangements, clarifies the role and responsibilities of the Commissioner, the Chief Constable and the Police and Crime Panel and how they should work together to address crime and improve policing.

The Commissioner and the Chief Constable wish to ensure that strong governance processes are in place to ensure that decisions are taken at the correct level within the organisation with the appropriate audit trails.

¹The term ‘corporation sole’ is often used in respect of public office (created by statute) that has a separate and continuing legal existence, and only one member (the sole officeholder). The concept of a corporation sole allows the corporation to pass vertically in time from one office holder to the next successor-in-office, and this gives the position legal continuity with each subsequent office holder having identical powers to those of their predecessor.

The Commissioner:

The core statutory functions of the Commissioner in relation to policing are to secure the maintenance of the police force, ensure that the force is efficient and effective, and hold the Chief Constable to account for the exercise of his functions and the functions of persons under his direction and control. The Commissioner is also required by the 2011 Act to work with all other designated bodies in order to reduce crime and disorder in accordance with the 1998 Crime and Disorder Act. The Commissioner also has responsibilities in relation to the efficiency and effectiveness of the criminal justice system locally.

The Chief Constable:

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

Statutory Officers:

The Chief Constable has a Chief Finance Officer and his responsibilities (and those of the Commissioner's Treasurer) are set out in the Financial Management Code of Practice. The Chief Finance Officers ensure that any expenditure is lawful.

The Police and Crime Panel:

The Police and Crime Panel is a body consisting of ten local councillors representing the seven local authorities in South Wales and two co-opted independent members.

The Police and Crime Panel meet on a quarterly basis with meetings held in public and therefore subject to the requirements of the Local Government Act regarding confidential information. The Panel met 5 times in 2013/14. Merthyr Tydfil County Borough Council is responsible for the administration of the Police and Crime Panel.

The responsibilities of the panel include:

- Supporting the Police and Crime Commissioner to exercise his functions effectively;
- Reviewing the Commissioner's annual draft Plan;
- Reviewing the Commissioner's annual draft budget;
- Reviewing and scrutinising decisions and actions taken by the Commissioner;
- If necessary, reviewing the proposed appointment, removal or extension of the Chief Constable;
- Making reports or recommendations to the Commissioner as needed; and
- Reviewing the proposed appointment of the Deputy Commissioner and senior officer appointments.

The panel is not there to scrutinise the performance of the Chief Constable and the Force as this is the role of the Commissioner. In South Wales the Commissioner and the Chief Constable have agreed that attendance by both (or a Deputy) at meetings of the Panel assists by providing the Panel with a full understanding of both roles. This approach has been commended by the Panel.

Joint Audit Committee:

The Commissioner and the Chief Constable have appointed an independent **Joint Audit Committee** which meets quarterly and this operates in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Financial Management Code of Practice².

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values in relation to which the Commissioner and Chief Constable are held accountable, and the activities through which they account to and engage with the community.

The governance framework outlined below enables both corporations sole to monitor the achievement of strategic objectives with a clear focus on performance and outcomes, whilst also ensuring that those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.

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

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

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

² Financial Management Code of Practice for the Police, section 11.1.3

for the Chief Constable to be held accountable for their delivery. These provide that, notwithstanding their formal 'corporation sole' status, the relationship between the Commissioner and the Chief Constable will be based on working together for the benefit of the people of South Wales, under the joint banner of 'South Wales Police'. The Hallmarks also specify that the relationship between the Commissioner and Chief Constable will be built on trust, confidence and transparency. All dealings between them will be on an 'open book' basis. The governance arrangements adopted will be consistent with the need to ensure accountability both between the parties and also accountability to the public. A transparent and auditable approach will therefore apply.

3. THE GOVERNANCE FRAMEWORK AND ITS APPLICATION

3.1 Background to the Framework

The principal statutory framework within which the two corporations sole operate is as follows:

- Police Reform and Social Responsibility Act 2011,
- Crime and Disorder Act 1998
- Policing Protocol Order 2011,
- Financial Management Code of Practice 2013,
- Strategic Policing Requirement.

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

The Commissioner made his commitments for policing clear in his manifesto, and his Police and Crime Reduction Plan (the "Plan") indicates how the Commissioner will take this forward. The Plan also pays due regard to the Strategic Policing Requirement³.

The Chief Constable has outlined in the Force Delivery Plan how he proposes to deliver the Mission ("Keeping South Wales Safe") and Vision for the Force ("to be the best at understanding and responding to its communities' needs"). The Force Delivery Plan also reflects the delivery of the Plan objectives. These objectives and their delivery are in turn reflected both in the local delivery plans of the Basic Command Units and Departments within South Wales Police and in the annual Performance Development Reviews of individuals.

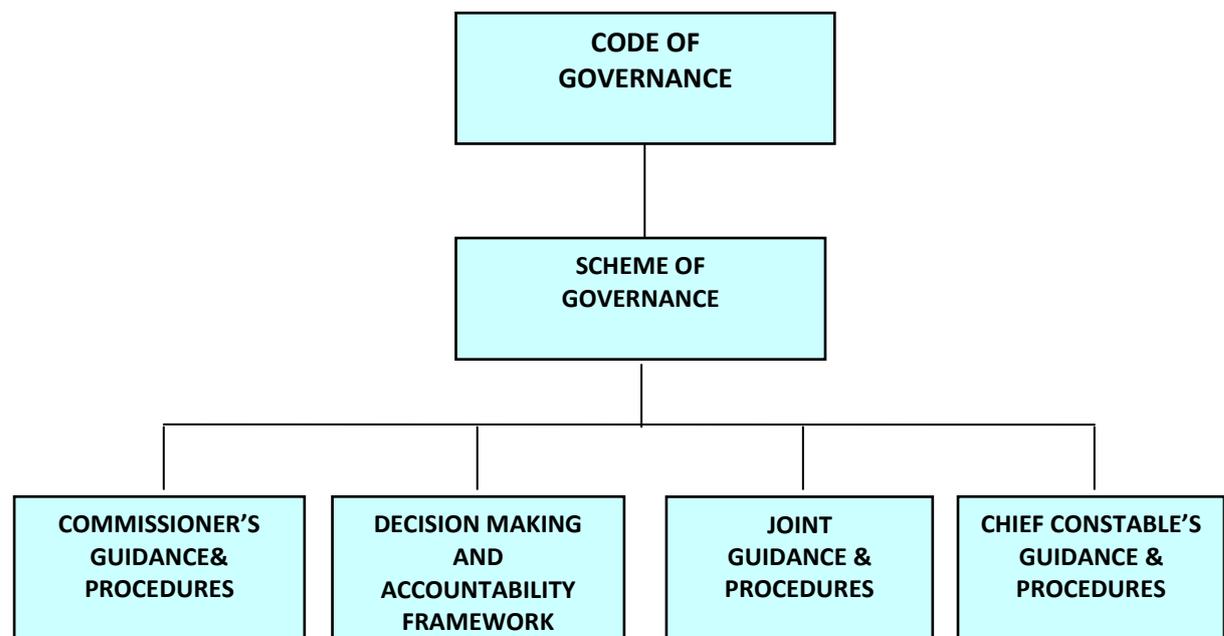
Framework / Instruments of governance

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

³The Strategic Policing Requirement was issued in July 2012 in execution of the Home Secretary's statutory duty to set out what are, in her view, the national threats at the time of writing and the appropriate national policing capabilities required to counter those threats

- Code of governance – statutory framework which sets out how the core principles will be implemented,
- Scheme of governance – defines the parameters within which the corporations sole will conduct their business,

There will be both joint and separate guidance and procedures for each corporations sole, with protocols where they operate jointly.



The Governance Framework is detailed within the Manual of Governance for the Commissioner and the Chief Constable and this can be found on the Commissioner's website at:

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

3.2 Core Principles and their Application

Both corporations sole have adopted and agreed to abide by the Nolan principles for conduct in public life⁴, which are as follows:

1. **Selflessness:** Decisions will be taken solely in terms of the public interest, and not for personal financial or other gain, whether for such person, their family or their friends.
2. **Integrity:** The Commissioner, the Chief Constable, their officers and staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.
3. **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Commissioner, the Chief Constable, their officers and staff will make choices on merit.

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

4. **Accountability:** The Commissioner, the Chief Constable, their officers and staff will be accountable for their decisions and actions to the public and will submit themselves to whatever scrutiny is appropriate to their office.
5. **Openness:** The Commissioner, the Chief Constable, their officers and staff will be as open as possible about all decisions and action they take. Reasons for decisions will be made available and information will be restricted only when so required by the wider public interest.
6. **Honesty:** The Commissioner, the Chief Constable, their officers and staff will have a duty to declare any private interests relating to public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
7. **Leadership:** The Commissioner, the Chief Constable, their officers and staff will promote and support these principles through leadership and by example.

Two further principles have been added to the seven Nolan Principles by the new Code of Ethics published by the College of Policing and these are:

8. **Fairness:** The Chief Constable, his officers and staff will act with fairness and impartiality
9. **Respect:** The Chief Constable, his officers and staff will act with self-control and tolerance, treating members of the public and colleagues with respect and courtesy.

The Chief Constable and the Commissioner believe that the police service must show leadership by responding quickly and effectively to a variety of challenging circumstances, demonstrating an understanding of the needs of victims, engaging positively with all communities across South Wales and being pro-active in helping to cut offending and reoffending. The Commissioner's vision for crime reduction and partnership working is reflected in the Police and Crime Reduction Plan as is the Chief Constable's vision for policing.

The table below illustrates how these (extended) Nolan Principles have been applied in the work of the Chief Constable during the 2013/14 financial year, as well as identifying measures that will be undertaken in future:

<u>Principle:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
1. Selflessness: Decisions will be taken solely in terms of the public interest, and not for personal financial or other gain, whether for such person, their family or friends;	Compliance with the Elected Local Policing Bodies (Specified Information) Order 2011 which requires the publication of information in relation to various matters, (as amended by the Amendment Orders in 2012 and 2013). The Force's external website contains details of:	Monitoring any changes to the 2011 Order and continuously seeking to ensure all relevant information is captured and disclosed as required.

<u>Principle:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
	<p>a) declared business interests b) Gifts and hospitality accepted and declined by Chief Officers</p> <p>Senior officers' salaries and expenses are disclosed in Statement of Accounts</p>	
<p>2. Integrity:</p> <p>The Chief Constable will not place himself under any financial or other obligation to outside individuals or organisations that may seek to influence him in the performance of his official duties;</p>	<p>Compliance with the Manual of Governance and Hallmarks Principles.</p> <p>Ensuring that the register of gifts and hospitality is updated as and when offers are received.</p> <p>Ensuring related parties disclosure in the Statement of Accounts</p>	<p>Continuously reinforce the procedures set out in the Manual of Governance to ensure understanding and compliance.</p> <p>Those in 'gate keeping' roles, i.e. signatories to continue to ensure that this takes place.</p>
<p>3. Objectivity:</p> <p>In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Chief Constable will make choices on merit;</p>	<p>All appointments to posts are made on merit.</p> <p>The extension of the Chief Constable's appointment during 2013/14 was made in full compliance of the requirements of the Police Regulations 2003, as amended by Police (Amendment) Regulations 2006 and the Police (Amendment) Regulations 2011 and the Police (Amendment No. 4) Regulations 2012.</p> <p>The Manual of Governance (including the Financial Regulations and the Standing Orders Relating to Contracts) expressly provide for the competitive processes to be applied in relation to contracts. Such processes are transparent and auditable with full use being made of the e-tenderwales and SelltoWales systems. Contract documentation is also published on the Blue Light Police Database, which is a national system accessible by the public. Contracts are also published in</p>	<p>No further appointments are anticipated at this stage but should this become necessary, these will be made in compliance with the requirements of the Act and Regulations.</p>

<u>Principle:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
	accordance with the requirements of the 2011 Order.	
<p>4. Accountability:</p> <p>The Chief Constable will be accountable for his decisions and actions to the public and will submit himself to whatever scrutiny is appropriate to their office;</p>	<p>The Chief Constable is held to account by the Commissioner in the exercise of his functions.</p> <p>Statement of Accounts produced annually and subject to audit by Wales Audit Office.</p> <ul style="list-style-type: none"> ▪ Wales Audit Office report by exception the Annual Governance Statement ▪ Wales Audit Office assess the arrangements for securing economy, efficiency and effectiveness in the use of resources <p>The Commissioner and Chief Constable jointly commission an Internal Audit service</p> <p>The HMIC conducts its own comprehensive inspection of Force performance and the Commissioner comments on the findings. HMIC reports are published on their website and publically accessible.</p> <p>The Commissioner and Chief Constable have established a Joint Audit Committee, consisting of independent Members, which meets at least quarterly in public.</p>	
<p>5. Openness:</p> <p>The Chief Constable will be as open as possible about all decisions and actions taken. Reasons for decisions will be made available where possible but information will be restricted when so</p>	<p>Minutes of the Chief Constable's Gold meetings are published on the force's internal and external websites.</p>	<p>New Communications Plan to be launched to better inform the public of the work of South Wales Police.</p>

<u>Principle:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
required by the wider public interest;		
<p>6. Honesty:</p> <p>The Chief Constable declares any private interests relating to public duties and takes steps to resolve any conflicts arising in a way that protects the public interest;</p>	<p>Provision of information in accordance with the Elected Local Policing Bodies (Specified Information) Order 2011 (as amended in 2012 and 2013) .</p> <p>Any business interests are disclosed and maintained in a Register (which is accessible to the public)</p>	
<p>7. Leadership:</p> <p>The Chief Constable will promote and support these principles through leadership and by example.</p>	<p>1. Adoption of Nolan Principles in the Manual of Governance 2. Clear Leadership Team 3. Adoption of Investors in People 4. All new starters in the Force (and new 'leaders' upon promotion) receive an information package from the Head of the Professional Standards Department – this outlines major areas of organisational risk and the behavioural expectations for all staff. (This is reinforced by an induction session for all new staff). An internal website is also maintained which contains information and guidance on ethics and behaviour.</p>	<p>Early adoption of the Code of Ethics published by the national College of Policing. This document is also available on the website.</p>
<p>8. Fairness:</p> <p>The Chief Constable, his officers and staff will act with fairness and impartiality</p>	<ul style="list-style-type: none"> ○ Duties are undertaken in accordance with the laws relating to human rights and equality. ○ It is recognised that some individuals who come into contact with the police are vulnerable and may required additional support and assistance. ○ A proactive approach is taken to opposing discrimination and this is reflected in the learning strategies of the force. 	<p>Monitor compliance with the extended Nolan principles.</p>
<p>9. Respect:</p> <p>The Chief Constable, his officers and staff</p>	<ul style="list-style-type: none"> ○ In support of this standard, the Chief Constable requires all officers to remain composed and respectful (even in the face of 	

<u>Principle:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
will act with self-control and tolerance, treating members of the public and colleagues with respect and courtesy.	<p>provocation) and this is reflected in the force training undertaken</p> <ul style="list-style-type: none"> ○ Authority is only exercised in a way which is proportionate, lawful, accountable, necessary and ethical. 	

The six **Good Governance Standards for Public Services**⁵ are also applied in the South Wales policing context as follows:

<u>Standard:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
1. Focusing upon the purpose of the Commissioner and the Chief Constable, and on outcomes for local people, and creating a vision for the local area	<ul style="list-style-type: none"> ○ The <i>Police and Crime Reduction Plan</i> outlines the police and crime objectives (outcomes) and the strategic direction for policing within South Wales Police. The Commissioner and the Chief Constable both have regard to the Plan. ○ The Mission of the Chief Constable is 'Keeping South Wales Safe' and to have a positive impact on the communities it serves. To do this, the Force aims to be 'the best at understanding and responding to its communities' needs. This has been set as the Vision for the Force. ○ To support this Vision, focus is targeted on five priority areas which are: (1) Making Every Contact Count, (2) Equality, Diversity and Human Rights, (3) Quality of Service, (4) Leadership and (5) Value for Money ○ These priority areas are measured against the three enablers of 'people, policing, partnership to deliver performance' outcomes. ○ <i>The Commissioner and the Chief</i> 	<p>The Police and Crime panel will review the progress of the Police and Crime reduction Plan.</p> <p>The Commissioner will publish an annual report on the outcomes of the Police and Crime reduction Plan on his website and to the Police and Crime panel.</p>

⁵These six core principles are taken from The Good Governance Standard for Public Services [2004] developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA (as adapted for local government purposes).

To assist in developing the approach to good governance CIPFA/SOLACE issued Delivering Good Governance in Local Government: Framework in 2007. The CIPFA/SOLACE Joint Working Group reviewed the Framework and issued a revised edition in 2012, which incorporates a new Addendum, The Addendum reflects Regulation 4(3) of the Accounts and Audit Regulations which requires all relevant bodies to prepare an annual governance statement rather than a statement on internal control.

<u>Standard:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
	<p><i>Constable have considered the views and priorities of the communities and their priorities have been developed using an outcome-based approach to ensure they meet local, regional and national needs.</i></p> <ul style="list-style-type: none"> ○ <i>In 2013/14, community engagement activities included:</i> <ul style="list-style-type: none"> ○ <i>Victim satisfaction surveys</i> ○ <i>Force perception surveys (Compass)</i> ○ <i>Intelligence Neighbourhood Security Interview survey work (Viewpoint) – in conjunction with the local authorities</i> ○ <i>The Commissioner also undertook a mailshot exercise and used some of his meetings as a forum for consultation.</i> ○ <i>The Chief Constable prepares an annual Force Delivery Plan which supports the delivery of the Police and Crime Reduction Plan.</i> ○ <i>The medium term financial strategy is jointly developed and thereafter reviewed quarterly to support delivery of these Plans.</i> <p><i>Collaboration agreements;</i></p> <ul style="list-style-type: none"> ○ <i>Collaboration agreements are in place to govern those areas of business undertaken jointly with other Chief Constables, Commissioners and other partners.</i> ○ <i>The three southern Wales police forces have established a Southern Wales Collaboration Board (which replaces the All Wales Collaboration Board). This develops strategic policing capabilities in Wales in support of the requirements of the 2011 Act and the Strategic Policing Requirement, with a view to increasing efficiency and effectiveness through collaboration, whilst also ensuring that suitable administrative, management and governance arrangements are in place to</i> 	

<u>Standard:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
	support the same.	
<p>2. Working together to achieve a common purpose with clearly defined functions and roles:</p>	<ul style="list-style-type: none"> ○ The Manual of Governance has been developed in accordance with the Code to enable effective accountability and to govern the relationship between the Commissioner and the Chief Constable. ○ The Hallmarks of Relationships agreed by the Commissioner and the Chief Constable emphasise that the relationship between the two corporations sole will be built on trust, confidence and transparency. ○ There is a decision making framework within the Manual which ensures that, where possible, all the decisions are published. ○ The Commissioner’s Strategic Board (the ‘Board’), brings together the Commissioner and Chief Constable (and their senior officers) and are chaired by the Commissioner. These Board meetings form a key element of the governance framework. The agenda content is agreed in advance between the Commissioner and the Chief Constable, and the Commissioner uses this Board to hold the Chief Constable to account for the performance against the Police and Crime Reduction Plan and on progress in delivering the Commissioner’s objectives effectively and efficiently, through scrutiny of financial and performance reports from the Chief Constable and one off reports on specific areas of interest or concern. Nine meetings of the Board were held during 2013/14. ○ The work of the Board, and the role of the Commissioner in holding the Chief Constable to account, is supported and informed by ongoing work undertaken by officers of the Commissioner (both with colleagues from the Force and external stakeholders such as the Home Office and the Welsh Government). 	

<u>Standard:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
	<ul style="list-style-type: none"> ○ The Chief Constable, in turn, holds his Chief Officers to account for their performance in monthly Gold meetings (referred to below). 	
<p>3. Promoting the values for the Chief Constable and Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour:</p>	<ul style="list-style-type: none"> ○ The values of being ‘professional, proud and positive’ are guiding principles for all staff and officers. ○ The Chief Constable manages all complaints against the Force, its officers and staff and ensures that the Commissioner is kept informed. ○ The Commissioner is responsible for handling any complaints and conduct matters in relation to the Chief Constable, monitoring complaints against his staff, and monitoring the way in which South Wales Police complies with the requirements of the Independent Police Complaints Commission. ○ Serious complaints and matters to do with conduct are referred to the Independent Police Complaints Commission in line with the requirements of legislation and that Commission also deals with appeals from those who are not satisfied with how their complaint has been dealt with. ○ The Police Staff Council has adopted standards of professional behaviour that reflect relevant principles enshrined in the European Convention on Human Rights and the Council of Europe Code of Police Ethics. These apply to all police staff. 	<ul style="list-style-type: none"> ○ The expansion of the Independent Police Complaints Commission (IPCC) ○ College of Policing to publish national registers of chief officers’ pay, gifts and hospitality, second jobs, and their contact with the media ○ New Code of Ethics ○ National register of officers struck off from the police to be managed and maintained by the College of Policing ○ College plans to establish a stronger and more consistent system of vetting for police officers, which chief constables and Commissioners must consider when making decisions about recruitment and promotion
<p>4. Taking informed and transparent decisions, which are subject to scrutiny and managing risk:</p>	<ul style="list-style-type: none"> ○ The Manual of Governance contains a Decision Making Framework which clarifies the way in which decisions will be taken by the Commissioner and Chief Constable. ○ Risk is a standing agenda item on all strategic meetings within the Force. The risk management strategies of the 	

<u>Standard:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
	<p>Commissioner and the Chief Constable establish how risk is embedded throughout the various elements of corporate governance of the corporation(s) sole.</p> <ul style="list-style-type: none"> ○ The Chief Finance Officer for the Chief Constable advises on the safeguarding of assets, risk management and insurance. He ensures that in relation to any strategic business decisions of the Commissioner, consideration is given to the immediate and longer term implications, opportunities and risks⁶. ○ Risks are identified throughout the organisation and recorded on a strategic risk register. These are then scored for likelihood and impact and allocated an owner. Monitoring and mitigation of risk is assured through the Force's Gold/Silver/Bronze governance structure. ○ The Commissioner and Chief Constable's Joint Risk Register is reviewed and updated at their respective management meetings to reflect the current risk environment. ○ The Chief Constable's Risk Manager and the Commissioner's Planning & Performance Manager ensure that any risks between such corporations sole are identified and captured in this Joint Register. ○ The design of the Joint Register has been improved in 2013/14 (with the endorsement of the Joint Audit Committee) and provides information in a clearer and more straightforward format. This Joint Risk Register is put before meetings of the Joint Audit Committee. 	
5. Developing the capacity and capability of all to be effective in their roles:	<ul style="list-style-type: none"> ○ The <i>learning and development strategies</i> of both the Commissioner and the Chief Constable set the climate for continuing development of individuals and support the delivery of the Commissioner and Chief Constable's vision through a programme of statutory, corporate, and 	

⁶ This is set out in paragraph 4.1 of the 2012 Financial Management Code of Practice for the Police Service of England and Wales.

<u>Standard:</u>	<u>What we do:</u>	<u>Plan for 2014/15 :</u>
	<p>personal development training. This, in turn, links with the Plan and the Force Delivery Plan.</p> <ul style="list-style-type: none"> ○ A mandatory system of Performance Development Reviews is in place for each Police Officer and each member of staff. This process allows for focused performance review, and for the cascading and targeting of key objectives which are directly linked to the Plan and the Force Delivery Plan. 	
<p>6. Engaging with local people and other stakeholders to ensure robust public accountability:</p>	<ul style="list-style-type: none"> ○ The Commissioner and Chief Constable are continuing to develop arrangements for effective engagement with key stakeholders, ensuring that where appropriate such stakeholders remain closely involved in decision making, accountability and the future direction of the service. 	<p>New Communications Plan to be launched to better inform the public of the work of South Wales Police.</p>

Decision Making and Accountability

Meetings between the Commissioner and the Chief Constable (both on an individual basis and in the formal Board meetings referred to earlier) are a key element of the governance framework, where the Commissioner holds the Chief Constable to account for performance against the Plan as outlined within the Force Delivery Plan, and ensures that the Chief Constable is effectively managing the budget allocated to him for the running of the Force.

These meetings are scheduled to occur on a monthly basis (in addition to other meetings) and reflect the commitment from both the Commissioner and the Chief Constable to the principles of openness, transparency and accountability in decision-making.

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

Weekly meetings are held of the Chief Officer Group. At these meetings, the Chief Constable reviews and directs the performance of his senior officers.

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

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

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

4. 4. ASSURANCE ON THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The review of the effectiveness of the system of internal governance and its operation is also informed by the work of the internal auditors, the external auditors (the Wales Audit Office), other review agencies and inspectors, and executive managers within Office of the Commissioner and the Force who have responsibility for the development and maintenance of the internal control environment. The roles of the various bodies are detailed below:

a) Joint Audit Committee

- The Chief Constable and the Commissioner have established an independent Joint Audit Committee which provides assurance to enhance public trust and confidence in the governance of the Commissioner and the Chief Constable. The Joint Audit Committee plays an important role in the independent oversight of their respective governance arrangements and provides its own assessment of the effectiveness of the control environment during the year to both corporations sole in the form of an annual report.
- This is consistent with the Financial Management Code of Practice which states that such a combined body should consider the internal and external audit reports of both the Commissioner and the Chief Constable. This Joint Audit Committee advises the Commissioner and the Chief Constable according to good governance principles and provides:
 - independent assurance to the Commissioner and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment,
 - independent scrutiny of the Chief Constable's and the Commissioner's financial performance,
 - oversight in relation to the financial reporting process adopted from CIPFA Audit Committees Practical Guidance for Local Authorities.
- The Commissioner and Chief Constable are both represented at all meetings of the Joint Audit Committee.
- During 2013/14, the Joint Audit Committee has received reports, recommendations and observations from the Internal Auditors, Wales Audit Office External Auditors, HM Inspector of Constabulary, Officers and Staff of each corporations sole in order for it to form an independent opinion and provide independent assurance to the Commissioner and the Chief Constable respectively in respect of their financial and governance controls. Their report confirms that *"...having received these reports the Committee are satisfied that there are no major issues of concern that affect the financial standing of the corporations sole, that the control methods are adequate, that the governance framework is robust and that*

the risk management framework reflects the risks to the corporations sole and that appropriate management controls and mitigation is in place”.

b) Internal audit

- There is a duty upon both the Commissioner and the Chief Constable to maintain an effective internal audit function. The Commissioner and the Chief Constable wish to minimise duplication and bureaucracy, and to maximise value for money, when designing their internal audit arrangements. The annual audit plan is prepared in consultation with both the Commissioner and the Chief Constable, and is considered and approved by the Joint Audit Committee. This plan also details how reports are to be received, distributed and followed up.
- The primary role of internal audit is to give assurance to the Commissioner and Chief Constable, on the adequacy and effectiveness of the controls in place to manage risks. To this end Internal Audit will deliver an annual opinion on the effectiveness of the controls reviewed by the Internal Audit team. This annual opinion, set out in the annual report of the Internal Auditor, provides one of the key sources of evidence in support of this Annual Governance Statement(s).
- Internal Audit provide regular update reports to the Joint Audit Committee, including setting out any areas of concern.
- Major control weaknesses are also reported to the Joint Audit Committee.
- The review of both the corporate governance and risk management arrangements periodically feature in the annual audit plan. Corporate governance and risk management issues may arise through other reviews carried out by Internal Audit. In this case the issues will be dealt with initially in the relevant audit report.
- For the period ended 31 March 2014, Deloitte deemed the level of assurance in relation to the South Wales Police’s arrangements in relation to its governance only to be substantial with no recommendations being made.

c) External Audit

- The Wales Audit Office carries out a review of the effectiveness of Internal Audit against their professional standards and the CIPFA Code and expresses an opinion on the adequacy of internal audit work.
- The Wales Audit Office in their annual audit letter comment on the financial aspects of corporate governance, which includes the legality of financial transactions, financial standing, systems of internal financial control and the standards of financial conduct, fraud and corruption.

- They audit the financial statements of the Commissioner and Chief Constable, as well as the Group accounts and also report (by exception) on the Annual Governance Statement(s).
- Such external audit plans and reports, including the Annual Audit Letter, are considered by the Joint Audit Committee at appropriate times in its annual cycle of meetings.
- Both the Commissioner and the Chief Constable have a duty to respond to reports by the external auditor.

d) Annual Governance Statement

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

e) Her Majesty's Inspectorate of Constabulary (HMIC)

- The role of the Inspectorate is to provide advice and support to the tripartite partners (Home Secretary, Commissioners and Chief Constables). Both the Commissioner and the Chief Constable regard HMIC reports as an opportunity to review their working and the performance of South Wales Police generally. There are concerns across England and Wales that the increased resources given to the Inspectorate could lead to increased demands and that the Inspectorate sometimes seem unaware of the locus of the Commissioner in working with the Chief Constable to set out local priorities in the Police and Crime Plan, but the South Wales approach is to work with the Inspectorate, to make the most of their findings, and to hope that professionalism based on respect for each other's roles will prove productive.
- The Inspectorate is independent of the Commissioner, the Force and the Government, with a remit to assess the work of police forces in different areas of business, including neighbourhood policing, serious and organised crime, anti-social behaviour and tackling major threats such as terrorism. The Inspectorate also produces thematic reports. Their reports support the monitoring and development of many Force priorities. The Inspectorate has also produced a suite of Value for Money indicators to challenge areas of exceptional spend in comparison with the most similar forces and the results of the benchmarks are incorporated within the Value for Money plan.
- The Inspectorate, in conjunction with the Wales Audit Office, also actively monitors the performance of the Force in relation to their plans for ensuring the sustainability of an efficient and effective police service in light of the significant grants reductions announced in the Comprehensive Spending Reviews. To date, reports about South Wales Police in this area of inspection have been positive and encouraging. HMIC reports are published on the following website:

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

- HMIC reports are sent to the Chief Constable and the Commissioner for consideration and appropriate action. The Inspectorate, working alongside external audit, can play a key role in informing the Commissioner and the public on the efficiency and effectiveness of South

Wales Police and, in so doing, facilitate the accountability of the Police and Crime Commissioner to the public.

- Chief Constables comment on any HMIC report which includes information on their force (and these are published along with any comments submitted by their Commissioner). Commissioners must also send a copy of their published comments to the Home Secretary. The Commissioner will seek the views of the Chief Constable before responding.
- This process is managed by the Chief of Staff (for the Commissioner) and the Deputy Chief Constable (for the Chief Constable) but both take a personal interest in the issues raised and the lessons to be learned.

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

Audit work during 2013/14

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

During 2013/14 Deloitte carried out a total of 27 audits, covering core financial systems, business and operational systems and governance processes. For the period ended 31 March 2014, Deloitte deemed the level of assurance in relation to the adequacy and effectiveness of South Wales Police’s arrangements for governance, risk management and control to be adequate⁷.

Inspections of South Wales Police by the HMIC during 2013/14 supported the monitoring and development of many Force priorities and these included:

May 2013	Valuing the Police (3)
July 2013	Crime Date Integrity Inspection (Stage 1)
October 2013	Value for Money Profiles
October 2013	Strategic Policing Requirement
October 2013	Domestic Abuse
November 2013	21 st Century Child Sexual Exploitation
November 2013	Girls and Women in the Criminal Justice System
December 2013	Crime Data Integrity Inspection (Stage 2)
December 2013	Undercover Policing
January 2014	Domestic Abuse
January 2014	Regional Organised Crime Unit
January 2014	Core Business: An inspection of crime prevention, police attendance and use of police time
March 2014	Valuing The Police(4)

⁷This confirms that there is basically a sound system of internal control in place although some non-compliance with the controls may put some of the system objectives at risk. The only category higher than this is ‘substantial’ in which such controls are consistently applied.

5 SIGNIFICANT AND FUTURE GOVERNANCE ISSUES

- Changes arose as a result of the Stage 2 transfer of staff between the Commissioner and the Chief Constable as required by the 2011 Act and the direction from the Home Secretary. The Stage 2 Transfer Scheme prepared by the Commissioner and the Chief Constable was approved by the Home Office and the transfer of affected staff completed by the 31st March 2014 deadline. These changes also necessitated a review and amendments to the governance frameworks of the two corporations sole, and consequently a revised Manual of Governance was prepared with effect from 1st April 2014. Work is ongoing to review the adequacy and process for embedding the risk management arrangements between the two corporations sole.
- The management of the consequences from the funding cutbacks resulting from the Comprehensive Spending Review in the public sector also represent a significant risk to partnership working. This may result in partners making short-term, arbitrary cuts to balance budgets and consequently losing the benefit of longer term preventative solutions.
- The Force's Change Programme to manage the consequences of funding reductions and to identify further opportunities for cost reduction whilst seeking to improve performance will continue to be closely monitored for delivery and risks arising from the imposed change.
- Estates Strategy, in particular, meeting the requirements of condition surveys, the challenges faced by legislative changes for health and safety and ensuring that benefits in the investment in the rationalised custody and investigative hubs are fully realised.
- Continued review of collaboration opportunities both within policing and within the public and private sectors generally.
- Management of Police Information⁸/Police National Database⁹ - the ability to successfully implement a number of essential mandatory developments through effective resource realignment and management.
- The implementation of Project Fusion (to increase system integration and deliver better intelligence and briefings to point of need through mobile data as well as enable greater online working) will enhance delivery of policing services.
- The implementation of a Fully Integrated Resource Management (FIRM) System to streamline Financial and Human Resource Management and improve Value for Money by replacing HR, Duty Management and the Financial and Payroll systems, will provide greater alignment of resources to demand and greater appreciation of policing costs to improve Value for Money.
- The management of the NATO conference and the internal governance associated with the same, due to take place in September 2014.

⁸The Guidance for the Management of Police Information was produced by the National Policing Improvement Agency on behalf of the Association of Chief Police Officers, and it is updated according to legislative and policy changes

⁹ The Police National Database is the project to develop a single view of data held in police intelligence, custody, crime, child and domestic abuse systems utilised by the police service across the UK

- Innovation Fund – pursuant to which the Commissioner and the Chief Constable have committed to expenditure which is subject to ongoing review by the Home Office for the continuation of such funding.
- The implementation of changes in relation to crime recording and the implementation of the National Crime Recording Standards.
- The management of any implications for the police service that may arise from the A19 legal process, for which the test cases are currently the subject of appeal to the Employment Appeals Tribunal.
- The implementation of any changes following the report from the Commission on Devolution in Wales (Silk Commission).
- The management of implications on the wider public sector within Wales brought about following the report by the Commission on Public Service Governance and Delivery.
- The tender and award process for the Internal Audit Function.
- The potential for change in the political landscape arising from the General Election in 2015.

These areas continue to be monitored through the existing governance and risk management structures within the Office of the Commissioner and the Force as outlined above, and as part of the ongoing work of Internal Audit. Action plans to successfully deliver these changes and mitigate these risks are being implemented.

Signed by the Chief Constable of South Wales Police:

Signed by the Chief Financial Officer:

Dated:

29 September 2014

Independent auditor's report to the Chief Constable of South Wales Police

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

- Chief Constable of South Wales Police

for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

The Chief Constable of South Wales Police's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 31, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of the Chief Constable of South Wales Police

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Chief Constable of South Wales Police as at 31 March 2014 and of his income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Annual Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

Anthony Barrett – Appointed Auditor**Wales Audit Office, 24 Cathedral Road, Cardiff, CF11 9LJ****Dated:**

30 September 2014

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

Statement of Responsibilities for the Accounts

Responsibilities of the Chief Constable

Is required to:

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

I certify the approval of this statement of accounts.

The Chief Constable for South Wales

Dated:

29 September 2014

Responsibilities of the Chief Financial Officer

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

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

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

The chief financial officer has also:

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

I certify that the Statement of Accounts, presents a true and fair view of the financial position of the Chief Constable for South Wales at the accounting date and its income and expenditure for the year ended 31 March, 2014.

Chief Financial Officer

Date of signing (by responsible financial officer)

Dated: 27 June 2014

Chief Financial Officer

Date of signing (prior to the approval of the Chief Constable)

Dated: 29 September 2014

Comprehensive Income and Expenditure Statement

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

	Note	Chief Constable 2013/14			Chief Constable 2012/13		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Local Policing		126,387	0	126,387	125,107	0	125,107
Dealing with the Public		22,086	0	22,086	23,914	0	23,914
Criminal Justice Arrangements		29,528	0	29,528	30,141	0	30,141
Road Policing		10,949	0	10,949	14,792	0	14,792
Specialist Operations		27,293	0	27,293	22,652	0	22,652
Intelligence		16,343	0	16,343	7,370	0	7,370
Investigation		59,802	0	59,802	51,161	0	51,161
Investigative Support		6,478	0	6,478	9,591	0	9,591
National Policing		13,295	0	13,295	12,230	0	12,230
Police Services		312,161	0	312,161	296,958	0	296,958
Non Distributed Costs - - Retirements Benefits Past Service Cost		0	0	0	30	0	30
Cost of Services		312,161	0	312,161	296,988	0	296,988
Other operating expenditure - - Levies to national police services		1,275	0	1,275	1,064	0	1,064
Financing and investment income and expenditure	6	118,477	0	118,477	116,233	0	116,233
Taxation and non-specific grant income		0	0	0	0	0	0
Commissioning Costs (intra-group transfer)		(431,913)	0	(431,913)	(414,285)	0	(414,285)
(Surplus)/Deficit on Provision of Services		0	0	0	(0)	0	(0)
Actuarial (gains)/losses on pension assets/liabilities				(174,913)			215,319
Commissioning Costs (intra-group transfer)				174,913			(215,319)
Other Comprehensive Income and Expenditure				0			0
Total Comprehensive Income and Expenditure				0			(0)

Notes

1. The Service Expenditure Analysis is provided on the face of the statement, replacing a previous note to this effect. Figures for 2013/14, are based on an internal review of Divisional and Departmental cost centre structures and follows implementation of a new financial system for 2013/14. It is considered that this now provides a better analysis than the previous system. There are large variances compared to those reported for 2012/13, most notably increasing the cost attributed to Intelligence.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the recognised assets and liabilities. The net assets (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories.

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

	Note	31 March 2014 £000	31 March 2013 £000
Long Term Debtors - intra-group transfer		2,696,719	2,754,150
Long Term Assets		2,696,719	2,754,150
Inventories		796	745
Debtors - Intra-group working capital		15,849	20,120
Current Assets		16,645	20,865
Short Term Creditors	7	(16,645)	(20,865)
Current Liabilities		(16,645)	(20,865)
• Local Government Pension Schemes	13.1	(103,459)	(133,260)
• Police Pension Schemes	13.2	(2,593,260)	(2,620,890)
Long Term Liabilities		(2,696,719)	(2,754,150)
Net Assets		0	0

Movement in Reserves Statement

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

Cash Flow

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

Notes to the Accounts

Note 1 Accounting Policies General Principles

The general principles and practices adopted in compiling these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). Reference is made to the Code of Practice on Local Authority Accounting in the United Kingdom **2013/14** - Based on International Financial Reporting Standards (the Code).

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

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

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

Accruals of expenditure

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

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

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

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

Acquired operations - administrative reorganisation of a public sector body/ function

Under the Police Reform & Social Responsibility Act 2011 on 15 November 2012 the first Police and Crime Commissioner was elected. The Commissioner replaced the former Police Authority on 22 November 2012 and is abolished by the same statute. He and not the former authority is now responsible for holding the Chief Constable to account and representing the public. The Chief Constable will continue to be in charge of operational policing but the Commissioner will be responsible for ensuring that he does this effectively and is accountable to the public. These accounts are the second to be prepared and approved under the new governance arrangements.

Comprehensive Income and Expenditure Statement

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

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

- payroll expenditure for police officers and staff are charged to the Chief Constable other than those within the Office of the Commissioner;
- pension costs and future retirement benefits for police officers and staff are similarly charged for on the same basis;

- non pay costs are charged to the Chief Constable other than those relating to the Office of the Commissioner;
- depreciation of Assets is notionally charged to the Commissioner, on an ownership basis, and recharged for the use of assets to the Chief Constable, which is taken into account in the intra group transfer.

Movement in Reserves Statement

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

Cash Flow

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

Balance Sheet

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

Employee benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by South Wales Police/ the Commissioner to terminate an employee's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when South Wales Police/ the Commissioner is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by South Wales Police/ the Commissioner to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Group's Movement in Reserves Statement, appropriations are required to and from the Group's 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. These appropriations are included in the Intra Group transfer.

Post Employment Benefits

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

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for South Wales Police/ the Commissioner.

Events after the reporting period

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

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

Exceptional items and prior period adjustments

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on financial position or financial performance.

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

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

Inventories and long-term contracts

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

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

Leases

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

Overheads

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

Value added tax

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

Note 2 Accounting Standards Issued, Not Adopted

For 2013/14 the following accounting policy changes that need to be reported relate to:

IFRS 13 Fair Value Measurement (May 2011). The CIPFA/LASAAC Local Authority Accounting Code Board decided at its meeting in January 2014 to defer the implementation of IFRS 13 Fair Value Measurement to the 2015/16 Code – the impact of which is yet to be determined.

IFRS 10 Consolidated Financial Statements (May 2011) – no significant impact likely.

IFRS 11 Joint Arrangements (May 2011) – no significant impact likely.

IFRS 12 Disclosures of Interests in Other Entities (May 2011) – no significant impact likely.

IAS 27 Separate Financial Statements (as amended in May 2011) – no significant impact likely.

IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011) – no significant impact likely.

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011) – no significant impact likely.

IAS 1 Presentation of Financial Statements— (as amended in May 2011) – no significant impact likely.

It is anticipated that details of the disclosures required for these changes will be included in the Code of Practice and guidance notes to be issued for 2014/15.

Note 3 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts include:

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

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

The Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item Uncertainties	Effect if Actual Results Differ from Assumptions	
<u>Pensions Liability - Police (Information from Actuary)</u>		
Sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions		
<u>Change in assumption*</u>	<u>Impact on Defined Benefit Obligation</u>	
		<u>% £ million</u>
Rate of discounting scheme liabilities	-½% a year	11.0% 278
Rate of increase in salaries	+½% a year	2.3% 60
Rate of increase in pensions / deferred revaluation	+½% a year	8.8% 218
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		1.9% 47
<p>* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in the assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.</p> <p>The weighted average duration of the defined benefit obligation is around 21 years for the old scheme and 38 years for the new scheme..</p>		
<u>Pensions Liability - LGPS (Information from Actuary)</u>		
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 2014 is set out below.		
In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised in Section 2. For inflation, for example, we have assumed this will not change the salary inflation figure and will affect pension increases only. We have not included sensitivity of unfunded benefits on materiality grounds.		
<u>Change in assumption*</u>	<u>Impact on Defined Benefit Obligation</u>	
		<u>% £ million</u>
Adjustment to discount rate	-0.1% p.a	7
Adjustment to salary increase rate	+0.1% p.a	2
Adjustment to pension increase rate	+0.1% p.a	5
Adjustment to mortality age rating assumption **		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.		
<u>Arrears of Income</u>		
At 31 March 2014, the balance for sundry debtors was £1.055M. A review of significant balances suggested that an impairment of doubtful debts of 6% (£63k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £63k to set aside as an allowance.	

Note 5 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Financial Officer on **22 September 2014**. There are no adjusting or non-adjusting events.

Under the terms of the Act, the Commissioner must submit his proposals for Stage 2 transfer to the Home Secretary for approval with the expectation that Stage 2 transfers will occur by April 2014. The stage 2 requirements for South Wales Police have now been approved and implemented but will be reflected in the 2014-15 Statements of Account.

Note 6 Financing and investment income and expenditure

	2013/14 £000	2012/13 £000
Pensions interest costs	118,500	126,140
Expected return on pension assets	0	(9,900)
Less Pension items relating to the Commissioner	(23)	(7)
Total	118,477	116,233

Note 7 Creditors

	31 March 2014 £000	31 March 2013 £000
Central government bodies	5,160	5,050
Other local authorities	2,891	3,310
Public corporations and trading funds	0	95
Other entities and individuals (incl other funds)	10,999	12,450
Less creditor items relating to the Commissioner	(2,405)	(40)
Total	16,645	20,865

Note 8 Amounts Reported for Resource Allocation Decisions

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

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

Subjective Analysis - Income and Expenditure

	2013/14 £000	2012/13 £000
Employee expenses	187,634	189,312
Other operating expenses	124,527	107,676
Total operating expenses	312,161	296,988
Net Cost of Services	312,161	296,988

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

	2013/14 £000	2012/13 £000
Cost of Services in Service Analysis	312,161	296,988
Net Cost of Services in Comprehensive Income and Expenditure Statement	312,161	296,988

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

Reconciliation to Subjective Analysis 2012/13	Service Analysis £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Inter Group Transfer	0	0	(414,285)	(414,285)
Total Income	0	0	(414,285)	(414,285)
Employee expenses	189,312	189,312	0	189,312
Other service expenses	101,160	101,160	0	101,160
Use of assets charge (proxy for depreciation)	6,516	6,516	0	6,516
Interest Payments - pension retirement Benefits	0	0	116,233	116,233
Precepts & Levies	0	0	1,064	1,064
Total operating expenses	296,988	296,988	117,297	414,285
Surplus or deficit on the provision of services	296,988	296,988	(296,988)	(0)

Note 9 Officers'/ Employee Remuneration

During the year the number of police officers and employees who received remuneration in excess of £60,000 are provided below. This is a specific requirement of the Accounts and Audit (Wales) Regulations 2005. Definition includes annual salaries and expense allowances as remuneration being chargeable to United Kingdom income tax, but excluding pension contributions. The table includes those relevant police officers and senior employees reported in more detail below.

Single entity – for the Chief Constable

Number of Police Officers and Police Staff (Employees):		
Remuneration band	2013/14	2012/13
£60,000 - £64,999	29	37
£65,000 - £69,999	11	5
£70,000 - £74,999	4	5
£75,000 - £79,999	9	12
£80,000 - £84,999	4	4
£85,000 - £89,999	5	5
£90,000 - £94,999	1	2
£95,000 - £99,999	0	0
£100,000 - £104,999	0	1
£105,000 - £109,999	4	3
£110,000 - £114,999	1	0
£115,000 - £119,999	0	1
£120,000 - £124,999	0	0
£125,000 - £129,999	1	0
£130,000 - £134,999	0	1
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	1
£160,000 - £164,999	1	0
	70	77

Exit Packages

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below. These figures exclude voluntary early retirements.

Exit package cost band (including special payments)	b Number of compulsory redundancies		c Number of other departures agreed (Voluntary redundancies)		[(b) + (c)] Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14 £000	2012/13 £000
£0 – £20,000	0	1	0	0	0	1	0	11
Total	0	1	0	0	0	1	0	11

Remuneration Report for senior relevant police officers and senior employees

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

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

Single entity – for the Chief Constable 2013/14

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

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

Note1. DCC retired 30th June 2013. New DCC temporary promoted 17th June to 31st March 2014

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

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

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

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

****Includes Compensatory Grant & Leavers Compensatory Grant

Single entity – for the Chief Constable 2012/13

Post holder information (Post title and name)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only) ****	Pension contributions (Employers)	Total Remuneration including pension contributions 2012/13
		£	£	£	£	£	£	£	£
Chief Constable P.Vaughan		154,370	0	0	0	1,457	4,082	35,863	195,772

Post holder information (Post title)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only) ****	Pension contributions (Employers)	Total Remuneration including pension contributions 2012/13
		£	£	£	£	£	£	£	£
Deputy Chief Constable		128,202	0	0	0	1,969	0	29,586	159,757
ACC Territorial Policing		109,192	0	0	0	6,372	2,271	25,182	143,017
ACC Specialist Crime		104,106	0	0	0	4,263	0	25,234	133,603
Assistant Chief Constable (seconded)	Note 1	10,613	0	0	0	0	3,999	2,479	17,091
Director of Legal Services	Note 2	97,687	0	0	0	6,559	0	10,746	114,991
Director of Finance	Note 3	100,557	0	0	0	6,343	0	11,061	117,961
ACC Specialist Ops	Note 4	105,225	0	0	0	1,948	5,747	24,592	137,512
Director Of Human Resources	Note 5	100,557	0	0	0	4,284	0	11,061	115,902
ACC Specialist OPS	Note 6	15,942	0	0	0	0	0	3,693	19,635

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

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

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

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

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

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

**** Includes Compensatory Grant

Note 10 Related Parties

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

Central government has significant influence over the general operations of the Chief Constable as it is responsible for providing the statutory framework within which the Chief Constable operates, provides the majority of funding to the Commissioner in the form of grants and prescribes the terms of many of the transactions that the Chief Constable has with other parties. Grants received from government departments, are set out in the Commissioner's accounts, most of which have strict terms and conditions.

- The Commissioner has direct control over the financial and operating policies of South Wales Police.

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

Note 11 External Audit Costs

South Wales Police/ the Commissioner has incurred the following costs, covering both the Commissioner and the Chief Constable, in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by external auditors. The total fee of £105k included in the table is split equally between the Commissioner and Chief Constable.

	2013/14 £000	2012/13 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	105	98
Total	105	98

Note 12 Leases

Operating Leases

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

	2013/14 £000	2012/13 £000
Not later than one year	1,382	1,088
Later than one year and not later than five years	753	985
Later than five years	169	224
	2,304	2,297

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

	2013/14 £000	2012/13 £000
Minimum lease payments (annual cost)	1,096	1,366
	1,096	1,366

Note 13 Defined Benefit Pension Schemes

Impact of changes to IAS19 Employee Benefits

The 2013-14 Code adopts the amendments made to IAS19 Employee Benefits. The amendments mean that there are a number of changes in terminology but also a difference in the method used to calculate the expected rate of return on assets. This is now calculated using the discount rate set by the Actuary.

The change in this calculation means that there are a number of changes to classification of costs. Interest costs and the expected rate of return are no longer shown separately, interest is now calculated as one figure and the difference between actual and expected return is now included as an actuarial movement. As set out in Note 2 of the 2012-13 statements, this will increase the IAS19 pension costs charged to expenditure.

IAS8 requires that, where material, changes in accounting standards are applied retrospectively. Changes in terminology have been reflected in this note for both the Local Government Pension Scheme (for police staff) and the police officer scheme.

The change in the calculation of the rate of return on assets does not have an impact on the police officer scheme as this is unfunded. Restated 2012-13 comparative figures for the police staff scheme are shown in this note.

On the grounds of materiality, the 2012-13 comparative figures in the primary statements have not been restated. The impact would be:

Increase in expenditure –Police services £0.48M

Increase in expenditure – Financing & Investment Income and Expenditure £2.4M

Decrease in actuarial loss (£2.8M)

There is no net impact on the Total Comprehensive Expenditure or the deficit in the Balance Sheet. There is also no impact on the General Fund as IAS19 charges to expenditure continue to be reversed through the Statement of Movement in Reserves and replaced with the actual cost to SWP/the Commissioner of providing pension benefits.

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

Participation in Pension Schemes

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

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

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

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

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

Transactions Relating to Post-employment Benefits

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

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

Local Government Pension Scheme and Unfunded Discretionary Benefits	Pension Scheme	Discretionary Benefits Arrangements	Total	Pension Scheme	Discretionary Benefits Arrangements	Total
	2013/14 £000	2013/14 £000	2013/14 £000	2012/13 £000	2012/13 £000	2012/13 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• Current service cost	12,850	0	12,850	9,620	0	9,620
• Past service costs	0	0	0	30	0	30
Financing and Investment Income and Expenditure						
• Interest on net defined benefit liability/ (asset)	5,880	60	5,940	5,790	70	5,860
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	18,730	60	18,790	15,440	70	15,510
Other Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement						
• Return on plan assets (in excess of) / below that recognised in net interest	(3,630)	0	(3,630)	(16,970)	0	(16,970)
• Actuarial (gains)/ losses:						
Due to changes in financial assumptions	(22,290)	(70)	(22,360)	15,400	100	15,500
Due to changes in demographic assumptions	(13,420)	20	(13,400)	0	0	0
Due to liability experience	(860)	0	(860)	(330)	0	(330)
Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement	(40,200)	(50)	(40,250)	(1,900)	100	(1,800)
Total Amount Recognised	(21,470)	10	(21,460)	13,540	170	13,710
Movement in Reserves Statement						
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(18,730)	(60)	(18,790)	(15,440)	(70)	(15,510)
Actual amount charged against the General Fund Balance for pensions in the year:						
• Employers' contributions payable to scheme	8,106	0	8,106	7,425	0	7,425
• Retirement benefits payable to pensioners	0	0	0	0	0	0

Contributions for the accounting period ending 31 March 2015

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2015 are estimated to be **£8.15M**.

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

Assets and Liabilities in Relation to Post-employment Benefits						
Reconciliation of present value of the scheme liabilities (defined benefit obligation):						
	Funded Pension Scheme	Unfunded Discretionary Benefits	Total	Funded Pension Scheme	Unfunded Discretionary Benefits	Total
	2013/14	2013/14	2013/14	2012/13	2012/13	2012/13
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(308,170)	(1,590)	(309,760)	(273,910)	(1,510)	(275,420)
Current service cost	(12,850)		(12,850)	(9,620)	0	(9,620)
Interest cost	(14,110)	(60)	(14,170)	(12,990)	(70)	(13,060)
Contributions by scheme participants	(3,430)		(3,430)	(3,070)	0	(3,070)
Benefits paid	6,450	90	6,540	6,520	90	6,610
Past service costs	0	0	0	(30)	0	(30)
• Actuarial (gains)/ losses:						
Due to changes in financial assumptions	22,290	70	22,360	(15,400)	(100)	(15,500)
Due to changes in demographic assumptions	13,420	(20)	13,400	0	0	0
Due to liability experience	860	0	860	330	0	330
Closing balance at 31 March	(295,540)	(1,510)	(297,050)	(308,170)	(1,590)	(309,760)

Reconciliation of fair value of the scheme (plan) assets:		
Local Government Pension Scheme		
	2013/14	2012/13
	£000	£000
Opening balance at 1 April	176,240	148,190
interest income on assets	8,230	7,200
Remeasurement gains/ (losses) on assets	3,630	16,970
Employer contributions	8,110	7,330
Contributions by scheme participants	3,430	3,070
Benefits paid	(6,450)	(6,520)
Closing balance at 31 March	193,190	176,240

Scheme History					
	2013/14	2012/13	2011/12	2010/11	2009/10
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	(295,540)	(308,170)	(273,910)	(237,240)	(252,680)
Discretionary Benefits	(1,510)	(1,590)	(1,510)	(1,410)	(2,110)
Fair value of assets in the Local Government	193,190	176,240	148,190	142,820	130,250
Total	(103,860)	(133,520)	(127,230)	(95,830)	(124,540)
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(102,350)	(131,930)	(125,720)	(94,420)	(122,430)
Discretionary Benefits	(1,510)	(1,590)	(1,510)	(1,410)	(2,110)
Total	(103,860)	(133,520)	(127,230)	(95,830)	(124,540)

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 **£103.860M** has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police/ the Commissioner remains healthy:

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by **Aon Hewitt Limited** an independent firm of actuaries,

estimates for the County Council Fund being based on the latest full valuation of the scheme as at **31 March 2013**.

The principal assumptions used by the actuary have been:

Local Government	Pension Scheme	Discretionary Benefits	Pension Scheme	Discretionary Benefits
	2013/14	2013/14	2012/13	2012/13
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	22.9	-	23.3	-
• Women	25.8	-	24.7	-
Longevity at 65 for future pensioners:				
• Men	25.1	-	25.2	-
• Women	28.2	-	26.6	-
Principal Financial Assumptions:				
Rate of inflation RPI	3.4%	3.2%	3.7%	3.5%
Rate of inflation CPI	2.4%	2.2%	2.8%	2.6%
Rate of increase in salaries	3.9%	-	4.7%	-
Rate of increase in pensions	2.4%	2.2%	2.8%	2.6%
Rate for discounting scheme liabilities	4.4%	4.2%	4.6%	4.1%
Take-up of option to convert annual pension into retirement lump sum:				
- pre 1 April 2010 pension entitlements	75%	-	50%	-
- post 31 March 2010 pension entitlements	75%	-	75%	-

Asset Allocation

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

	31 March 2014	31 March 2013
	%	%
Equity investments	71.0%	68.7%
Property	5.9%	5.9%
Government Bonds	8.5%	10.6%
Corporate Bonds	11.7%	11.4%
Cash and other assets	2.9%	3.4%
	<u>100.0%</u>	<u>100.0%</u>

Note 13 Defined Benefit Pension Schemes (continued)

13.2 The Police Pension Scheme (for Police Officers)

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

Participation in Pension Schemes

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

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

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

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

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

Transactions Relating to Post-employment Benefits

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

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

Police Pension and Unfunded Injury Benefit Scheme	Pension Scheme	Discretionary Benefits Arrangements	Total	Pension Scheme	Discretionary Benefits Arrangements	Total
	2013/14	2013/14	2013/14	2012/13	2012/13	2012/13
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• Current service cost	58,530	1,340	59,870	46,330	1,160	47,490
• Past service costs	0	0	0	0	0	0
Financing and Investment Income and Expenditure						
• Interest on net defined benefit liability/ (asset)	107,660	4,900	112,560	107,890	4,890	112,780
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	166,190	6,240	172,430	154,220	6,050	160,270
Other Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement						
• Actuarial (gains)/ losses:						
Due to changes in financial assumptions	(80,940)	(2,130)	(83,070)	369,680	10,710	380,390
Due to changes in demographic assumptions			0			0
Due to liability experience	(40,710)	(10,230)	(50,940)	(165,300)	(200)	(165,500)
Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement	(121,650)	(12,360)	(134,010)	204,380	10,510	214,890
Total Amount Recognised	44,540	(6,120)	38,420	358,600	16,560	375,160
Movement in Reserves Statement						
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(166,190)	(6,240)	(172,430)	(154,220)	(6,050)	(160,270)
Actual amount charged against the General Fund Balance for pensions in the year:						
• Employers' contributions payable to scheme	25,578	2,440	28,018	26,570	2,380	28,950
• Retirement benefits payable to pensioners (grant funded)			0			0

Contributions for the accounting period ending 31 March 2015

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2015 are estimated to be **£28.3M**.

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

Assets and Liabilities in Relation to Post-employment Benefits						
Reconciliation of present value of the scheme liabilities (defined benefit obligation):						
	Funded Pension Scheme	Unfunded Discretionary Benefits	Total	Funded Pension Scheme	Unfunded Discretionary Benefits	Total
	2013/14	2013/14	2013/14	2012/13	2012/13	2012/13
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(2,506,290)	(114,600)	(2,620,890)	(2,209,160)	(100,420)	(2,309,580)
Current service cost	(58,530)	(1,340)	(59,870)	(46,330)	(1,160)	(47,490)
Interest cost	(107,660)	(4,900)	(112,560)	(107,890)	(4,890)	(112,780)
Contributions by scheme participants	(13,760)	0	(13,760)	(12,930)	0	(12,930)
Actuarial gains and (losses)	121,650	12,360	134,010	(204,380)	(10,510)	(214,890)
Benefits paid	77,370	2,440	79,810	74,400	2,380	76,780
Closing balance at 31 March	(2,487,220)	(106,040)	(2,593,260)	(2,506,290)	(114,600)	(2,620,890)

Reconciliation of fair value of the scheme (plan) assets:			
Police Pension Scheme			
	2013/14	2012/13	
	£000	£000	
Opening balance at 1 April	0	0	
Remeasurement gains/ (losses) on assets- 'balance'	38,032	34,898	
Employer contributions	28,018	28,952	
Contributions by scheme participants	13,760	12,930	
Benefits paid	(79,810)	(76,780)	
Closing balance at 31 March	0	0	

Scheme History					
	2013/14	2012/13	2011/12	2010/11	2009/10
	£000	£000	£000	£000	£000
					(restated)
Present value of liabilities:					
Police Pension Scheme	(2,487,220)	(2,506,290)	(2,209,160)	(2,065,090)	(2,316,710)
Discretionary Benefits	(106,040)	(114,600)	(100,420)	(86,490)	(42,320)
Discretionary Benefits- restatement	0	0	0	0	(57,720)
Fair value of assets in the Police Pension Scheme	0	0	0	0	0
Total	(2,593,260)	(2,620,890)	(2,309,580)	(2,151,580)	(2,416,750)
Surplus/(deficit) in the scheme:					
Police Pension Scheme	(2,487,220)	(2,506,290)	(2,209,160)	(2,065,090)	(2,316,710)
Discretionary Benefits	(106,040)	(114,600)	(100,420)	(86,490)	(100,040)
Total	(2,593,260)	(2,620,890)	(2,309,580)	(2,151,580)	(2,416,750)

The liabilities show the underlying commitments that South Wales Police/ the Commissioner has in the long run to pay post employment (retirement) benefits. The total liability of **£2,593.260M** has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police / the Commissioner remains healthy:

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

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

Police	Pension	Discretionary	Pension	Discretionary
	Scheme	Benefits	Scheme	Benefits
	2013/14	2013/14	2012/13	2012/13
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	23.4	23.4	23.4	23.4
• Women	25.9	25.9	25.8	25.8
Longevity at 65 for future pensioners:				
• Men	25.6	25.6	25.7	25.7
• Women	28.0	28.0	27.9	27.9
Principal Financial Assumptions:				
Rate of inflation RPI	3.65%		3.65%	
Rate of inflation CPI	2.50%		2.50%	
Rate of increase in salaries	4.50%		4.75%	-
Rate of increase in pensions	2.50%		2.5%	
Rate for discounting scheme liabilities	4.40%		4.3%	
Assumed rate of return in excess of pensions	1.85%		1.76%	
Assumed rate of return in excess of earnings	-0.10%		-0.43%	
Take-up of option to convert annual pension into retirement lump sum	actuarially neutral		actuarially neutral	

Note 14 Collaboration

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

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

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

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

A summary of the Expenditure and Income Statement for 2013/14 and the prior year for the main activities of the continuing units are as follows:

CTIU / TARIAN (former PAW activities)

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

Other

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

Notes

1. The Police Authorities of Wales Joint Committee was for part year to November 2012, following the abolition of its constituent Police Authorities.
2. A Regional & Organised Crime Unit was established in 2013/14 which encompasses the previous Regional Intelligence Unit, Regional Asset Recovery Team, Witness Protection along with a number of new capabilities in line with the ACPO core Regional Organised Crime Unit capabilities model.
3. The residual Wales Central Team was fully disbanded during 2012/13.
4. The Joint Firearms Unit became fully operational in November 2012 and includes both firearms operations and firearms training. The costs for 2012/13 are therefore only part year costs.
5. Any capital items/fixed assets are accounted for as procured and financed from use of grants and force revenue contributions. No assets are recognised in this note and which otherwise would be accounted for through useable capital reserves. There are no charges for depreciation. Assets are recognised on Force/Commissioner Balance Sheets, CIES and MIRS statements.
6. Each force may hold their own reserves for collaborative purposes.

CTIU / TARIAN (former PAW activities)

2012/13	Police Authority Wales £k	Counter Terrorism Intelligence Unit £k	Counter Terrorism Specialist Advisors £k	Regional Organised Crime Unit £k	Regional Task Force £k	Wales Central Team £k	TOTAL £k
Service Classification	CDC	National Policing	National Policing	Intelligence/ Investigation	Intelligence	re-allocated	
Pay Expenditure	47	3,525	0	1,447	2,441	71	7,531
Non Pay Expenditure	21	1,096	0	463	805	1	2,386
Gross Expenditure	68	4,621	0	1,910	3,246	72	9,917
Specific Grant Income	0	(4,545)	0	(1,559)	(642)	0	(6,746)
Income	0	(76)	0	(13)	(0)	0	(90)
Total Income & Grants	0	(4,621)	0	(1,572)	(642)	0	(6,836)
South Wales Police	(17)	0	0	(152)	(1,410)	0	(1,580)
Dyfed Powys Police	(17)	0	0	(52)	(561)	0	(630)
Gwent Police	(17)	0	0	(71)	(663)	0	(752)
North Wales Police	(17)	0	0	0	0	0	(17)
Force Contributions	(68)	0	0	(275)	(2,634)	0	(2,977)
(Surplus) or Deficit	(0)	0	0	62	(30)	72	104

Other

2012/13	Scientific Investigation Unit £k	Joint Firearms Unit £k	TOTAL £k
Service Classification	Investigative Support	Specialist Operations/ Support to Specialist Operations	
Pay Expenditure	5,764	5,147	10,911
Non Pay Expenditure	896	1,043	1,939
Gross Expenditure	6,660	6,191	12,851
Specific Grant Income	0	0	0
Income	0	(38)	(38)
Total Income & Grants	0	(38)	(38)
South Wales Police	(4,288)	(3,077)	(7,365)
Dyfed Powys Police	0	(1,506)	(1,506)
Gwent Police	(2,372)	(1,569)	(3,941)
North Wales Police	0	0	0
Force Contributions	(6,660)	(6,153)	(12,813)
(Surplus) or Deficit	0	0	0

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

Glossary of Terms

AMORTISATION

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

ACCRUAL

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

AGENCY SERVICES

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

ACTUARIAL GAINS AND LOSSES

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

ASSET

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

AUDIT

An independent examination of an organisation's activities.

BALANCE SHEET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING ACCOUNT / CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL RECEIPT

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

CAPITAL RECEIPTS RESERVE

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

CASH FLOW STATEMENT

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

CURRENT SERVICE COST (PENSIONS)

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

CREDITOR

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

DEBTOR

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

DEPRECIATION

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

EARMARKED CAPITAL RESERVES

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

FAIR VALUE

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

IMPAIRMENT

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

LEASING

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

LIABILITY

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

PAST SERVICE COST (PENSIONS)

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

POLICE FUND BALANCE

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

POLICE GRANT

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

POLICE CAPITAL GRANT

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

PRECEPT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RESERVE

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

REVENUE ACCOUNT/ INCOME AND EXPENDITURE ACCOUNT

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

REVENUE SUPPORT GRANT

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

NATIONAL NON DOMESTIC RATE (NNDR)

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

STOCKS

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

TEMPORARY BORROWING/INVESTMENT

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