

**THE CHIEF CONSTABLE
FOR SOUTH WALES POLICE
(Corporation Sole)**

**STATEMENT OF ACCOUNTS
FOR THE
YEAR ENDED 31 MARCH 2017**

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

On the Website @

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

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NARRATIVE REPORT

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 Chief Constable 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 2016/17 was the sixth consecutive year of the government imposed austerity programme arising from the comprehensive spending review 2010(CSR), which sought to address the national budget deficit due to the international banking crises.

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

Statutory Framework for the Statement of Accounts

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

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

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

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

Format of the Statement of Accounts

The Statement of Accounts comprises the following:

- Statement of Responsibilities
Sets out the responsibilities of the Chief Constable and Chief Finance Officer during the production and approval of the Statement of Accounts.
- Comprehensive Income and Expenditure Statement
This sets out the cost in the year of providing policing services in accordance with International Accounting Standards (IAS) rather than the amount funded from Government Grants and Council Tax.
- Balance Sheet
The balance sheet sets out the assets, liabilities and reserves held as at 31 March 2017

NARRATIVE REPORT

- Police Pension Fund Account
This sets out the income and expenditure associated with Police Officer Pensions, such as monthly pension payments and retirement lump sums.
- Notes to the Accounts
These provide more detailed information on items of income, expenditure, assets, liabilities and reserves that is not practical to show in the main accounting statements detailed above.

Explanation of Main Statements - including intra group transfer of funding

This section explains the requirement for intra group funding between the 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 Police 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 Police and Crime Commissioner's Team.
- 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 Police and Crime Commissioner's Team.
- 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 Police 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.

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Balance Sheet

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

Financial Performance of the Chief Constable

A net revenue budget for 2016/17 of £258.9m was approved in January 2016, to fund existing expenditure commitments. In addition a further £1.77m of capital expenditure (funded by Government Grant) brought the total budget requirement to £260.7m. The table below provides a breakdown of how this amount was spent and funded during the year.

	2016/17 %	2016/17 £M	2015/16 £M
Police Officer and Police Staff costs	63%	191.5	190.3
Pension Retirement Benefits - current service cost	17%	52.5	64.7
Non Pay costs (Premises, Transport, Supplies and Services, Agency and Contracted Services)	16%	49.1	44.2
Other service costs (Depreciation, Non enhancing capital expenditure)	4%	11.6	8.4
Gross Expenditure of Services	100%	304.7	307.6
Less Grants and Income		(37.6)	(39.0)
Net Cost of Police Services		267.1	268.6
Accounting Adjustments (Pensions, Depreciation, Movements on General Fund)		(6.4)	(11.6)
Budget Requirement		260.7	257.0
Capital Government Grants	1%	(1.8)	(1.9)
Police Grant (Home Office)	33%	(87.5)	(89.3)
Revenue Support Grant (Welsh Government)	20%	(51.6)	(43.1)
Non-Domestic Rate Income (Welsh Government)	8%	(20.5)	(28.1)
Council Tax Payers	38%	(99.3)	(94.6)
Total Funding	100%	(260.7)	(257.0)

The majority of the gross budget is attributable to Policing Services under the direction and control of the Chief Constable and is equal to that of the Crime Commissioning Group less the cost of administering the Office of the Police and Crime Commissioner. It should be noted that no income budgets are attributable to the Chief Constable as all income is recorded in the Police and Crime Commissioner's Statement of Accounts and Crime Commissioner's Group Statement of Accounts.

NARRATIVE REPORT

Pensions Liability

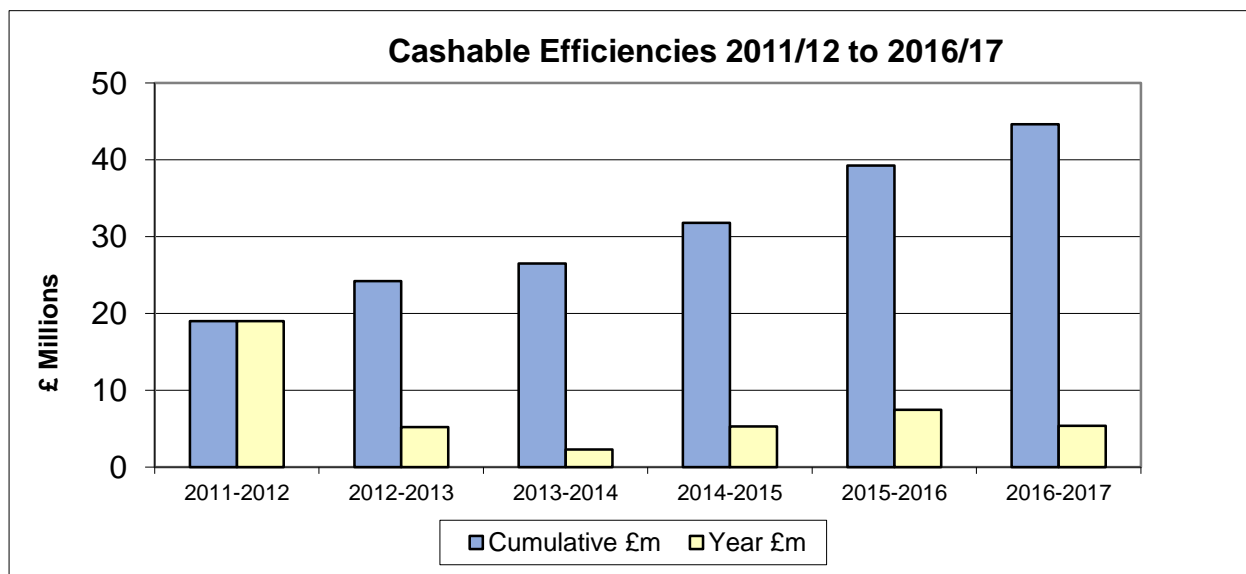
The Government Actuary's Department calculate the potential liability of the Police schemes based on Actuarial review, using Pension and Payroll data. This estimated liability increased over the year from £2,703m to £3,279m, an increase of 21.3%, this is mainly attributed to changes in actuarial assumptions. The Pension Scheme for Police Officers is unfunded by statute.

In the case of Police Staff, South Wales Police is an admitted body to the Rhondda Cynon Taff County Borough Council Local Government Pension Scheme. The Actuary's assessment of South Wales Police's share of the estimated deficit in this scheme increased over the year from £105m to £137m as at 31 March 2017, an increase of 30%, this is mainly due to changes in actuarial assumptions.

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

Efficiency & Effectiveness

Central funding has not kept pace with rising costs and changing demands. The rigorous measures implemented to deal with the financial challenges arising from CSR2010, as outlined in the Value for Money Plan, along with continued prudent financial management have enabled the delivery of the required £44.7m of savings resulting from the CSR2010 cuts in police grants. This achievement is a positive endorsement of the Medium Term Financial Strategy. This is illustrated in the following table:



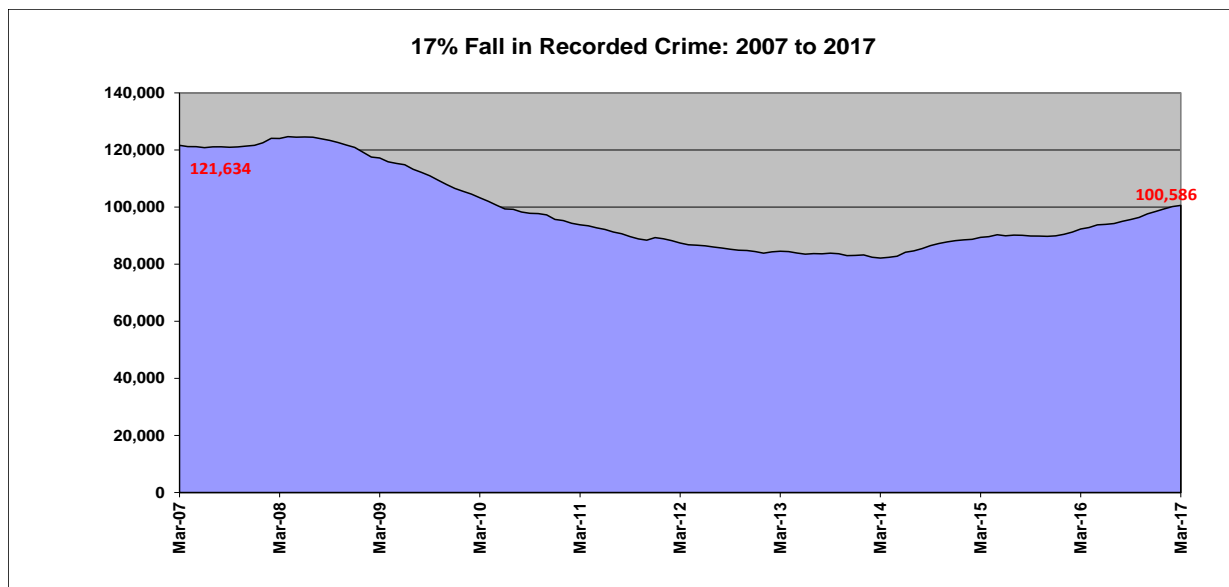
However, the austerity programme is set to continue and further revenue savings of £11.7m are forecasted to be required over the next four years on top of which the capital expenditure requirements highlight a further £19.2m shortfall in funding.

The Medium Term Financial Strategy has protected front line services, the performance of which is summarised below.

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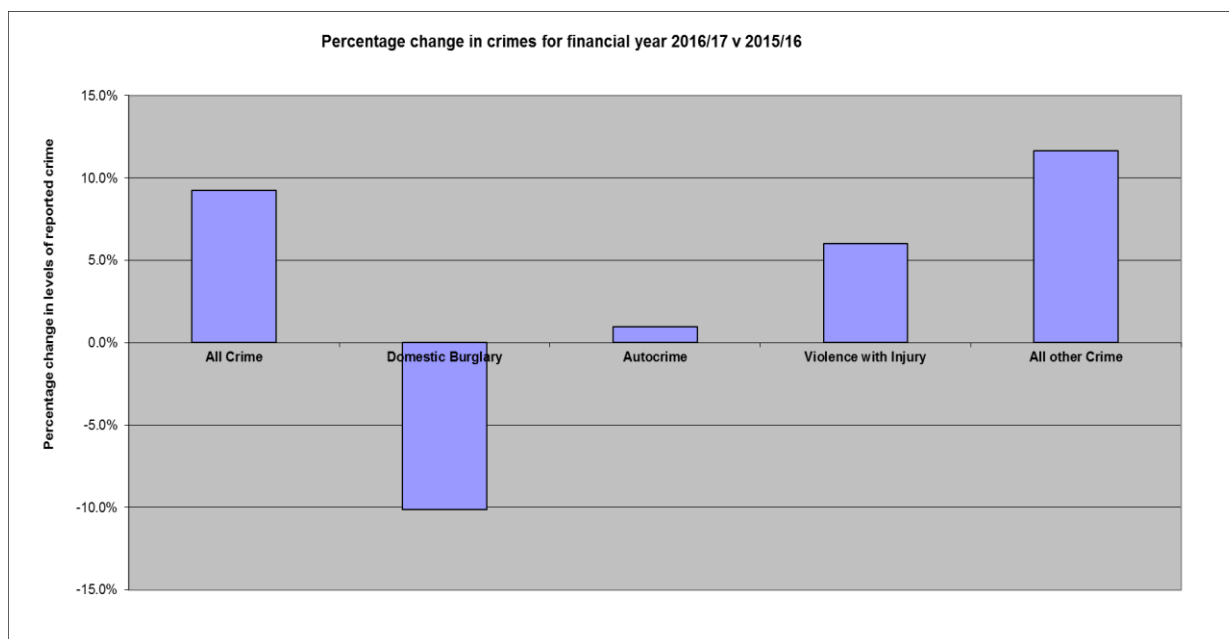
OPERATIONAL PERFORMANCE

Recorded Crime



Crime continued to rise in 2016/17 following the changes in crime recording processes. At the end of the year there was a 9.2% increase in recorded crime compared to the previous year.

Force-wide Performance



With regard to operational performance the following headlines are noteworthy:

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Making Every Contact Count

87.2% of 999 calls were answered within 10 seconds, which is 2.8% below the national target. Overall 98.8% of 999 calls were answered, 0.8% above the national target.

63.1% of non-emergency calls were answered within 40 seconds. 90.5% of non-emergency calls were answered.

Equality, Diversity and Human Rights

Overall, the whole experience victim satisfaction has remained relatively stable and now stands at 86.7% as at the end of 2016-17, compared to 88.7% in 2015-16.

The whole experience victim satisfaction of Black and Minority Ethnic victims has increased to 82.6% at the end of 2016-17 compared to 80.5% in 2015-16.

Hate related crimes increased in line with the Force aim to increase reporting of these offences from 1,673 in 2015/16 to 1,839 in 2016/17.

Quality of Service

During 2016-17, 92.0% of crimes reported to South Wales Police were recorded within 24 hours.

South Wales Police recorded a positive outcome rate for overall crime of 25.5% for 2016-17, compared to 27.8% in 2015-16.

There was a fall of 10.1% in domestic burglaries compared to 2015-16. For 2016/17 the positive outcome rate for domestic burglary was 19.3%.

POLICE EFFECTIVENESS EFFICIENCY & LEGITIMACY PROGRAMME (PEEL)

HMICFRS's third PEEL (police effectiveness, efficiency and legitimacy) assessment of how South Wales Police keep people safe and reduce crime, can be summarised as follows:

- The force is good at keeping people safe and reducing crime. It has an effective approach to preventing crime and anti-social behaviour, is effective in the way it investigates crime, protects vulnerable people and tackling serious & organised crime;
- The force is good in respect of the efficiency with which it keeps people safe and reduces crime. The force has an excellent understanding of demand and places it at the heart of how it operates, plans and works with partners to identify, predict and tackle demand, and how it deploys resources to meet demand;
- The force is good in respect of the legitimacy with which it keeps people safe and reduces crime, ensuring it treats people fairly and with respect. The force seeks feedback and challenge from its communities about the extent to which it treats them with fairness and respect; and
- The HMICFRS also concluded that the force has worked with its officers and staff to develop its leadership expectations and these are understood at all levels throughout the organisation.

NARRATIVE REPORT

UMAR HUSSAIN

Chief Financial Officer

Dated:

28 June 2017

UMAR HUSSAIN

Chief Financial Officer

Dated:

30 September 2017

Footnote regarding signing:

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

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

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

Scope of the audit of the accounting statements

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

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

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Chief Constable for South Wales as at 31 March 2017 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 2016-17.

INDEPENDENT AUDITOR'S REPORT

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

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

- give a true and fair view of the financial transactions for South Wales Police Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

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

Matters on which I report by exception

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

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

Certificate of completion of audit

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

**For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
29 September 2017**

**Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ**

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

STATEMENT OF RESPONSIBILITIES

Responsibilities of the Chief Constable

Is required to:

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

I certify the approval of this Statement of Accounts.

PETER VAUGHAN

The Chief Constable for South Wales

Dated:

30 September 2017

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; and
- complied with the Code.

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts, presents a true and fair view of the financial position of the Chief Constable for South Wales at the accounting date and its income and expenditure for the year ended 31 March, 2017.

UMAR HUSSAIN

Chief Financial Officer

Date of signing (by responsible financial officer)

Dated:

28 June 2017

UMAR HUSSAIN

Chief Financial Officer

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

Dated:

29 September 2017

FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement (CIES) – Chief Constable

	Note	Chief Constable 2016/17			Chief Constable 2015/16		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Officer Pay & Pensions		149,386	0	149,386	156,470	0	156,470
Police Staff Pay		54,711	0	54,711	59,823	0	59,823
Devolved Budgets		2,590	0	2,590	4,029	0	4,029
Force/ Contingency Budgets		18,597	0	18,597	14,169	0	14,169
Centralised Budgets		11,835	0	11,835	11,600	0	11,600
Externally Funded Budgets		17,602	0	17,602	17,598	0	17,598
Collaborative Budgets		18,614	0	18,614	17,479	0	17,479
Central Budgets		17,072	0	17,072	14,265	0	14,265
Police Services		290,407	0	290,407	295,433	0	295,433
Non Distributed Costs:							
- Retirements Benefits Past Service Cost		250		250	1,680	0	1,680
Cost of Services		290,657	0	290,657	297,113	0	297,113
Other operating expenditure:							
- Levies to national police services		1,871	0	1,871	2,006	0	2,006
Financing and investment income and expenditure	6	98,842	0	98,842	101,718	0	101,718
Taxation and non-specific grant income					0	0	0
Commissioning Costs (intra-group transfer)		(391,370)	0	(391,370)	(400,837)	0	(400,837)
(Surplus)/Deficit on Provision of Services		0	0	0	0	0	0
Actuarial (gains)/losses on pension assets/liabilities				539,539			379,840
Commissioning Costs (intra-group transfer)				(539,539)			(379,840)
Other Comprehensive Income and Expenditure				0			0
Total Comprehensive Income and Expenditure				0			0

The 2015/16 comparative amounts shown in the above table have been re-stated as the income and expenditure headings allowed under the Service Reporting Code of Practice have been changed. The traditional objective headings have therefore been replaced with those headings used for internal reporting purposes.

FINANCIAL STATEMENTS

Balance Sheet

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

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

	Note	31 March 2017 £000	31 March 2016 £000
Long Term Debtors - intra-group transfer		3,414,775	2,806,996
Long Term Assets		3,414,775	2,806,996
Inventories		1,061	973
Debtors - Intra-group working capital		16,342	13,457
Current Assets		17,403	14,430
Short Term Creditors	7	(17,403)	(14,430)
Current Liabilities		(17,403)	(14,430)
• Local Government Pension Schemes	13.1	(135,385)	(103,916)
• Police Pension Schemes	13.2	(3,279,390)	(2,703,080)
Long Term Liabilities		(3,414,775)	(2,806,996)
Net Assets		0	0

Movement in Reserves Statement (MIRS)

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

FINANCIAL STATEMENTS

Police Pension Fund Account

Police Scheme	2016/2017 £000	2015/2016 £000
Contributions receivable		
From employer:		
• Normal	(24,904)	(25,072)
• Early retirements (incl. capital equivalent charge for ill health retirements)	(262)	(420)
From members	(14,021)	(14,203)
Un-authorised backdated lump sum tax payments (Home Office funding)	0	(6,500)
Transfers in		
Individual transfers in from other schemes	(1,303)	(1,064)
Benefits payable		
Pensions	69,290	67,259
Commutations and lump sum retirement benefits'	18,965	13,250
Un-authorised backdated lump sum tax payments	0	6,500
Revised commutation factors (Milne v GAD)	0	418
Lump sum death benefits	0	5
Payments to and on account of leavers		
Individual transfers out to other schemes	0	557
Sub-Total before transfer from the Police Fund	47,765	40,730
Additional funding payable by Police Fund (by way of top up grants)	(47,765)	(40,730)
Funding Shortfall to be met by Police Fund	0	0
Net Asset Statement		
Net current assets and liabilities		
Current Assets		
Debtor - net balances owed from the Police Fund	680	398
Bank balance	769	424
Current Liabilities		
Creditor - benefits payable to retiring officers end of March paid April	(680)	(398)
Creditor - net balances owed to Police Fund	(769)	(424)
Net	0	0

Notes to the Police Pension Fund Accounts

1. The Home Office only funded employer's contributions at 21.3%, whilst the actual employer's contribution was at 24.2%, a cost against the Commissioner's budget of £2.973m during 2016/17.
2. There are no investment assets of the fund. The payments in and out of the Pension Fund are balanced to nil each year by receipt of additional contribution from the Police Fund, which in turn is reimbursed by the Home Office.
3. The fund's financial statements do not take account of future liabilities to pay pensions and other benefits after the year end. These are accounted for in the Group balance sheet as future retirement benefits.
4. Other than the notes above, the Police Pension Fund has followed the accounting policies as set out in note 1 below.

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NOTES TO THE FINANCIAL STATEMENTS

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 2016/17 - based on International Financial Reporting Standards (the Code). This is supplemented by the Service Reporting Code of Practice for Local Authorities (SeRCOP).

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

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

Accruals of income and expenditure

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

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

Comprehensive Income and Expenditure Statement

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

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

- payroll expenditure for police officers and staff are charged to the Chief Constable other than those within the Police and Crime Commissioner's Team;
- 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 Police and Crime Commissioner's Team; and
- 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.)

NOTES TO THE FINANCIAL STATEMENTS

Cash Flow

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

Balance Sheet

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

Employee benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Joint arrangements - Accounting for the consolidation of joint arrangements

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

Leases

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

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

Note 2 Accounting Standards Issued, Not Adopted

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

Note 3 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts include:

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

NOTES TO THE FINANCIAL STATEMENTS

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 2017 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>%</u>	<u>£ million</u>
Rate of discounting scheme liabilities	½% a year	-9.6%	-313.9
Rate of increase in salaries	+½% a year	1.1%	37
Rate of increase in pensions / deferred revaluation	+½% a year	9.0%	296
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.6%	86.1
* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in the assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.			
The weighted average duration of the defined benefit obligation is around 21 years for all schemes combined.			
<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 2017 is set out below.			
In each case, only the assumption mentioned is altered; all other assumptions remain the same. For inflation, for example, we have assumed this will not change the salary inflation figure and will affect pension increases only. We have not included sensitivity of unfunded benefits on materiality grounds.			
<u>Change in assumption*</u>		<u>Impact on Defined Benefit Obligation</u>	
		<u>%</u>	<u>£ million</u>
Adjustment to discount rate	-0.1% p.a	2.2	10
Adjustment to salary increase rate	+0.1% p.a	0.6	2
Adjustment to pension increase rate	+0.1% p.a	1.7	7
Adjustment to mortality age rating assumption **	+1	-3.0	-13
**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.			

NOTES TO THE FINANCIAL STATEMENTS

Note 5 Events after the Reporting Period

The draft Statement of Accounts was authorised for issue by the Chief Financial Officer on 28 June 2017. There are no adjusting or non-adjusting events.

Note 6 Financing and investment income and expenditure

	2016/17 £000	2015/16 £000
Pensions interest costs	98,890	101,770
Less Pension items relating to the Commissioner	(48)	(52)
Total	98,842	101,718

Note 7 Creditors

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

	31 March 2017 £000	31 March 2016 £000
Central government bodies	6,105	5,297
Other local authorities	2,242	2,306
Other entities and individuals (incl other funds)	11,516	8,464
Less creditor items relating to the Commissioner	(2,460)	(1,637)
Total	17,403	14,430

Note 8 Amounts Reported for Resource Allocation Decisions

Subjective analysis – Income and Expenditure

	2016/17 £000	2015/16 £000
Employee expenses	191,140	190,314
Other operating expenses	99,517	106,799
Total operating expenses	290,657	297,113
Net Cost of Services	290,657	297,113

NOTES TO THE FINANCIAL STATEMENTS

Note 9 Officers'/ Employees' Remuneration

Remuneration Ratio

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

Chief Constable

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

	2016/17 £	2015/16 £
Band of highest paid director (Chief Constable) - Total Remuneration (excl pension contribution)	160,000-164,999	160,000-164,999
Median Total Remuneration	31,806	31,921
RATIO	5.2	5.2

Remuneration Bandings

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

NOTES TO THE FINANCIAL STATEMENTS

Single entity - Chief Constable

Police Staff (Employees):			
Remuneration	2016/17	2015/16	
£60,000 - £64,999	20	15	
£65,000 - £69,999	10	11	
£70,000 - £74,999	8	5	
£75,000 - £79,999	7	4	
£80,000 - £84,999	8	2	
£85,000 - £89,999	4	7	
£90,000 - £94,999	2	0	
£95,000 - £99,999	0	0	
£100,000 - £104,999	2	0	
£105,000 - £109,999	0	1	
£110,000 - £114,999	1	2	
£115,000 - £119,999	0	0	
£120,000 - £124,999	0	2	
£125,000 - £129,999	1	1	
£130,000 - £134,999	0	0	
£135,000 - £139,999	0	0	
£140,000 - £144,999	0	0	
£145,000 - £149,999	0	0	
£150,000 - £154,999	0	0	
£155,000 - £159,999	0	0	
£160,000 - £164,999	1	1	
	64	51	

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 as set out in the Comprehensive Income and expenditure Statement.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2015/16	<i>(Voluntary redundancies)</i>		2016/17	2015/16	2016/17	2015/16
			2016/17	2015/16				
£0 – £20,000	1	3	12	14	13	17	158	227
£20,001 – £40,000	0	0	1	7	1	7	28	194
£40,001 – £60,000	0	1	0	1	0	2	0	105
Total	1	4	13	22	14	26	186	526

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.

NOTES TO THE FINANCIAL STATEMENTS

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

The Chief Constable 2016/17

Post holder information (Post title and name)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions 2016/17	Pension contributions (Employers)	Total Remuneration including pension contributions 2016/17
		£	£	£	£	£	£	£	£	£
Chief Constable P.Vaughan	Note 1	159,461	0	0	0	4,527	4,651	168,639	0	168,639

Post holder information (Post title)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions 2016/17	Pension contributions (Employers)	Total Remuneration including pension contributions 2016/17
		£	£	£	£	£	£	£	£	£
Deputy Chief Constable		126,648	0	0	0	5,522	0	132,170	30,661	162,831
ACC Territorial Policing		111,911	0	0	0	5,215	1,850	118,976	26,420	145,396
ACC Specialist Crime	Note 2	82,164	0	0	0	15,961	0	98,125	19,680	117,805
Director of Finance		103,057	0	0	0	8,535	0	111,592	12,278	123,870
ACC Specialist Ops	Note 4	77,841	0	0	0	19,734	0	97,575	18,838	116,413
Director Of Human Resources	Note 3	102,739	0	0	0	4,767	0	107,506	12,278	119,784

Note 1 Not in pension scheme

Note 2 ACC from 31st May 2016 to 31st March 2017

Note 3 Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

Note 4 ACC From 13th June 2016 to 31st March 2017

The Chief Constable 2015/16

Post holder information (Post title and name)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions 2015/16	Pension contributions (Employers)	Total Remuneration including pension contributions 2015/16
		£	£	£	£	£	£	£	£	£
Chief Constable P.Vaughan	Note 1	157,648	0	0	0	2,461	4,334	164,443	0	164,443

Post holder information (Post title)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions 2015/16	Pension contributions (Employers)	Total Remuneration including pension contributions 2015/16
		£	£	£	£	£	£	£	£	£
Deputy Chief Constable		125,444	0	0	0	3,653	0	129,097	30,357	159,454
ACC Territorial Policing	Note 2	81,612	0	0	0	7,971	0	89,583	19,174	108,757
ACC Specialist Crime		95,789	0	0	0	5,512	0	101,301	25,377	126,678
Director of Finance		102,578	0	0	0	7,878	0	110,456	12,207	122,663
ACC Specialist Ops		107,834	0	0	0	5,364	1,764	114,962	25,427	140,389
Director Of Human Resources	Note 3	102,384	0	0	0	5,237	0	107,621	12,207	119,828
ACC Seconded to Gwent Police	Note 4	9,920	0	0	0	0	0	9,920	2,302	12,222

Note 1 Not in pension scheme.

Note 2 Terminated 3 January 2016. Annualised salary is £105,945.

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

Note 4 ACC Seconded to Gwent Force from 1 April to 6 May 2015. Annualised salary is £96,597.

NOTES TO THE FINANCIAL STATEMENTS

Note 10 External Audit Costs

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

	2016/17 £000	2015/16 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	96	99
Total	96	99

Note 11 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 South Wales Police/ the Commissioner might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with The Chief Constable.

Central government has significant influence over the general operations of South Wales Police / the Commissioner as it is responsible for providing the statutory framework within which South Wales Police/ the Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that South Wales Police/ the Commissioner has with other parties. Grants received from government departments are set out in Note 25, 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 12 Leases

Operating Leases

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

	2016/17 £000	2015/16 £000	2014/15 £000
Not later than one year	985	1,139	1,653
Later than one year and not later than five years	1,924	1,273	911
Later than five years	256	364	319
	3,165	2,776	2,883

NOTES TO THE FINANCIAL STATEMENTS

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

	2016/17	2015/16
	£000	£000
Minimum lease payments (annual cost)	1,236	1,619
	1,236	1,619

Note 13 Defined Benefit Pension Schemes

13.1 The Local Government Pension Scheme (LGPS - for Police Staff)

Participation in Pension Schemes

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

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

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. Following the full actuarial valuation of that Scheme, as at March 2016, further interim work has been undertaken by the Fund's Actuaries to derive suitable approximate cost estimates to participating bodies.

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

NOTES TO THE FINANCIAL STATEMENTS

Local Government Pension Scheme and Unfunded Discretionary Benefits	Discretionary			Discretionary		
	Pension	Benefits	Total	Pension	Benefits	Total
	Scheme	Arrangements	2016/17	Scheme	Arrangements	2015/16
	2016/17	2016/17	2016/17	2015/16	2015/16	2015/16
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• Current service cost	12,070	0	12,070	12,620	0	12,620
• Past service costs	240	0	240	1,680	0	1,680
Financing and Investment Income and Expenditure						
• Interest on net defined benefit liability/ (asset)	3,480	50	3,530	3,870	50	3,920
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	15,790	50	15,840	18,170	50	18,220
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	(43,170)	0	(43,170)	(600)	0	(600)
• Actuarial (gains)/ losses:						
Due to changes in financial assumptions	94,520	150	94,670	(23,580)	(60)	(23,640)
Due to changes in demographic assumptions	(16,190)	(50)	(16,240)	0	0	0
Due to liability experience	(10,520)	(10)	(10,530)	(2,610)	(30)	(2,640)
Total Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement	24,640	90	24,730	(26,790)	(90)	(26,880)
Total Amount Recognised	40,430	140	40,570	(8,620)	(40)	(8,660)
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	(15,790)	(50)	(15,840)	(18,170)	(50)	(18,220)
Actual amount charged against the Police Fund Balance for pensions in the year:						
• Employers' contributions payable to scheme (note 1)	8,163	0	8,163	8,222	0	8,222
• Retirement benefits payable to pensioners						

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
	2016/17	2016/17	2016/17	2015/16	2015/16	2015/16
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(349,300)	(1,440)	(350,740)	(357,700)	(1,570)	(359,270)
Current service cost	(12,070)	0	(12,070)	(12,620)		(12,620)
Interest cost	(12,120)	(50)	(12,170)	(11,670)	(50)	(11,720)
Contributions by scheme participants	(3,530)	0	(3,530)	(3,600)		(3,600)
Benefits paid	9,640	90	9,730	11,780	90	11,870
Past service costs	(240)	0	(240)	(1,680)	0	(1,680)
Due to changes in financial assumptions	(94,520)	(150)	(94,670)	23,580	60	23,640
Due to changes in demographic assumptions	16,190	50	16,240	0	0	0
Due to liability experience	10,520	10	10,530	2,610	30	2,640
Closing balance at 31 March	(435,430)	(1,490)	(436,920)	(349,300)	(1,440)	(350,740)

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of fair value of the scheme (plan) assets:		
Local Government Pension Scheme		
	2016/17	2015/16
	£000	£000
Opening balance at 1 April	245,430	235,280
Interest income on assets	8,640	7,800
Remeasurement gains/ (losses) on assets	43,170	600
Employer contributions	8,510	9,930
Contributions by scheme participants	3,530	3,600
Benefits paid	(9,640)	(11,780)
Closing balance at 31 March	299,640	245,430

Scheme History					
	2016/17	2015/16	2014/15	2013/14	2012/13
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	(435,430)	(349,300)	(357,700)	(295,540)	(308,170)
Discretionary Benefits	(1,490)	(1,440)	(1,570)	(1,510)	(1,590)
Fair value of assets in the Local Government Pension Scheme	299,640	245,430	235,280	193,190	176,240
Total	(137,280)	(105,310)	(123,990)	(103,860)	(133,520)
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(135,790)	(103,870)	(122,420)	(102,350)	(131,930)
Discretionary Benefits	(1,490)	(1,440)	(1,570)	(1,510)	(1,590)
Total	(137,280)	(105,310)	(123,990)	(103,860)	(133,520)

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 £137.3m has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police/ the Commissioner remains healthy:

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

Local Government	Pension Scheme 2016/17	Discretionary Benefits 2016/17	Pension Scheme 2015/16	Discretionary Benefits 2015/16
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	22.8	22.8	23.1	23.1
• Women	24.9	24.9	26.0	26.0
Longevity at 65 for future pensioners:				
• Men	25		25.3	-
• Women	27.2		28.4	-
Principal Financial Assumptions:				
Rate of increase in salaries	3.3%		3.3%	-
Rate of increase in pensions	2.0%	2.0%	1.8%	1.8%
Rate for discounting scheme liabilities	2.6%	2.6%	3.5%	3.5%
Take-up of option to convert annual pension into retirement lump sum:				
• pre 1 April 2010 pension entitlements	75%	-	75%	-
• post 31 March 2010 pension entitlements	75%	-	75%	-

Asset Allocation

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

	31 March 2017 %	31 March 2016 %
Equity Investments	72.60%	70.10%
Property	5.90%	6.40%
Government Bonds	9.40%	9.20%
Corporate Bonds	10.00%	10.60%
Cash and other Assets	2.10%	3.70%
	100.0%	100.0%

Contributions for the accounting period ending 31 March 2018

The employers' regular contributions to the Fund for the accounting period ending 31 March 2018 are estimated to be £10.79m. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

NOTES TO THE FINANCIAL STATEMENTS

Note 13 Defined Benefit Pension Schemes (continued)

13.2 The Police Pension Scheme (for Police Officers)

This includes the 1987, 2006, and 2015 police pension schemes plus the injury benefit scheme.

Participation in Pension Schemes

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

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

- The Police Pension Scheme, administered by Capita plc. This is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet pension liabilities. Instead, from 1st April 2006, actual pension payments are met from a combination of employers' and employee contributions, based on percentages of police salaries, and the balance from Government Grant.
- Discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. A software model, developed by the Government Actuary's Department, has been used to calculate the potential long term liability and cost estimates of the Police 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 Police Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Police Fund Balance via the Movement in Reserves Statement during the year:

NOTES TO THE FINANCIAL STATEMENTS

Police Pension and Unfunded Injury Benefit Scheme	Pension Scheme and Discretionary Benefits		Discretionary Benefits Arrangements		
	2016/17 £000	Total 2016/17 £000	2015/16 £000	2015/16 £000	Total 2015/16 £000
Comprehensive Income and Expenditure Statement					
Cost of Services:					
• Current service cost	40,430	40,430	49,720	2,320	52,040
• Past service costs	10	10	0	0	0
Financing and Investment Income and Expenditure					
• Interest on net defined benefit liability/ (asset)	95,360	95,360	95,050	2,800	97,850
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	135,800	135,800	144,770	5,120	149,890
Other Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement					
• Actuarial (gains)/ losses:					
Due to changes in financial assumptions	612,640	612,640	(253,940)	(6,120)	(260,060)
Due to changes in demographic assumptions	(71,060)	(71,060)	(46,720)	(740)	(47,460)
Due to liability experience	(26,430)	(26,430)	(38,490)	(4,900)	(43,390)
Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement	515,150	515,150	(339,150)	(11,760)	(350,910)
Total Amount Recognised	650,950	650,950	(194,380)	(6,640)	(201,020)
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					
	(135,800)	(135,800)	(144,770)	(5,120)	(149,890)
Actual amount charged against the Police Fund Balance for pensions in the year:					
• Employers' contributions payable to scheme	25,334	25,334	25,498	2,640	28,138
• Retirement benefits payable to pensioners (grant funded)	0	0	0	0	0

Assets and Liabilities in Relation to Post-employment Benefits					
Reconciliation of present value of the scheme liabilities (Defined benefit obligation)	Funded & Discretionary Pension Scheme		Funded Pension Scheme	Unfunded Discretionary Benefits	Total
	2016/17 £000	Total 2016/17 £000	2015/16 £000	2015/16 £000	2015/16 £000
Opening balance at 1 April	(2,703,080)	(2,703,080)	(2,888,690)	(84,910)	(2,973,600)
Current service cost	(40,430)	(40,430)	(49,720)	(2,320)	(52,040)
Past Service charge	(10)	(10)	0	0	0
Interest cost	(95,360)	(95,360)	(95,050)	(2,800)	(97,850)
Contributions by scheme participants	(14,150)	(14,150)	(14,210)	0	(14,210)
Actuarial gains and (losses)	(515,150)	(515,150)	339,150	11,760	350,910
Benefits paid	88,790	88,790	81,070	2,640	83,710
Closing balance at 31 March	(3,279,390)	(3,279,390)	(2,627,450)	(75,630)	(2,703,080)

The liabilities show the underlying commitments that South Wales Police/ the Commissioner has in the long run to pay post employment (retirement) benefits. The total liability of £3.28b has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police / the Commissioner remains healthy:

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

NOTES TO THE FINANCIAL STATEMENTS

Basis for Estimating Assets and Liabilities

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

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

Police	Pension Scheme 2016/17	Pension Scheme 2015/16	Discretionary Benefits 2015/16
Mortality assumptions: 2016/17 includes Discretionary Benefits			
Longevity at 65 for current pensioners:			
• Men	23.2	23.1	20.6
• Women	25.2	25.1	22.6
Longevity at 65 for future pensioners:			
• Men	25.2	25.1	22.8
• Women	27.3	27.2	25.9
Principal Financial Assumptions:			
Rate of inflation RPI	2.65%	3.35%	
Rate of inflation CPI	2.35%	2.20%	
Rate of increase in salaries	4.35%	4.20%	
Rate of increase in pensions	2.35%	2.20%	
Rate for discounting scheme liabilities	2.65%	3.55%	
Assumed rate of return in excess of pensions	0.30%	1.35%	
Assumed rate of return in excess of earnings	-1.70%	-0.65%	
Take-up of option to convert annual pension into retirement lump sum	actuarially neutral	actuarially neutral	

Contributions for the accounting period ending 31 March 2018

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2018 are estimated to be £29.0m.

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

Note 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, they 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

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

As a result of the requirements of IFRS11, gross expenditure in the CIES has been reduced by £6.04m. Intra-group transfers have been decreased by a corresponding amount to ensure the total comprehensive income and expenditure reported in the CIES is nil. A further explanation of the adjustments required for collaboration is detailed in the Group Statement of Accounts in note 33.

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

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

NOTES TO THE FINANCIAL STATEMENTS

COLLABORATIVE SERVICE AREA	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Counter Terrorism Special Branch	Scientific Investigation Unit	Joint Firearms Unit	Total
Service Classification in CIES	National Policing	National Policing	National Policing	Intelligence/Investigation	Intelligence	National Policing	Investigative Support	Specialist Operations	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2015/16									
Pay Expenditure	4,179	411	2,389	3,610	1,873	1,161	6,157	9,670	29,450
Non Pay Expenditure	1,504	29	172	965	627	100	740	1,569	5,706
Gross Expenditure	5,683	440	2,561	4,575	2,500	1,261	6,897	11,239	35,156
Specific Grant Income	(5,664)	(440)	(2,556)	(2,613)	(500)	0	0	0	(11,773)
Income	(19)	0	(5)	(274)	(99)	(123)	(15)	(16)	(551)
Total Income & Grants	(5,683)	(440)	(2,561)	(2,887)	(599)	(123)	(15)	(16)	(12,324)
South Wales Police	0	0	0	(999)	(895)	(1,138)	(4,411)	(5,383)	(12,826)
Dyfed Powys Police	0	0	0	(318)	(456)	0	0	(3,110)	(3,884)
Gwent Police	0	0	0	(371)	(550)	0	(2,471)	(2,730)	(6,122)
North Wales Police	0	0	0	0	0	0	0	0	0
Force Contributions	0	0	0	(1,688)	(1,901)	(1,138)	(6,882)	(11,223)	(22,832)
(Surplus) or Deficit	0	0	0	0	0	0	0	0	0

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

NOTES TO THE FINANCIAL STATEMENTS

SHARE OF SERVICE COLLABORATION	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Task Force Agreed financial contribution (local delivery)	Counter Terrorism Special Branch	Scientific Investigation Unit	Joint Firearms Unit	Total
Share of service benefit	Population (national benefit basis)	Population (national benefit basis)	Population (national benefit basis)	Population (national benefit basis)	Agreed financial contribution (local delivery)	Own Spending	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	
2015/16									
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure									
South Wales Police	2,391	185	1,389	2,482	1,350	1,261	4,392	5,294	18,743
Dyfed Powys Police	950	74	552	986	525	0	0	3,182	6,268
Gwent Police	1,067	83	620	1,107	625	0	2,505	2,764	8,770
North Wales Police	1,276	99	0	0	0	0	0	0	1,375
	5,683	440	2,561	4,575	2,500	1,261	6,897	11,240	35,156
Total Income & Grants									
South Wales Police	(2,391)	(185)	(1,389)	(1,566)	(323)	(123)	(10)	(8)	(5,996)
Dyfed Powys Police	(950)	(74)	(552)	(622)	(126)	0	0	(5)	(2,328)
Gwent Police	(1,067)	(83)	(620)	(699)	(149)	0	(5)	(4)	(2,626)
North Wales Police	(1,276)	(99)	0	0	0	0	0	0	(1,375)
	(5,683)	(440)	(2,561)	(2,887)	(599)	(123)	(15)	(17)	(12,324)

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

GLOSSARY OF TERMS

AMORTISATION

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

ACCRUAL

A sum included in the final accounts to cover income and expenditure attributable to the 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

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

ASSET

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

AUDIT

An independent examination of an organisation's activities.

BALANCE SHEET

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

CAPITAL 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 ADJUSTMENT ACCOUNT

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

CAPITAL 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.

GLOSSARY OF TERMS

CURRENT SERVICE COST (PENSIONS)

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

CREDITOR

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

DEBTOR

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

DEPRECIATION

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

EARMARKED CAPITAL RESERVES

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

CURRENT VALUE

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

IMPAIRMENT

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

INVENTORIES (STOCKS)

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

LEASING

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

LIABILITY

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

PAST SERVICE COST (PENSIONS)

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

POLICE FUND

This reserve is maintained to meet exceptional and unforeseen expenditure.

POLICE GRANT

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

GLOSSARY OF TERMS

POLICE CAPITAL GRANT

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

PRECEPT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

A Government Agency which provides longer term loans to Local Authorities at interest rates only slightly higher than those at which the government itself can borrow.

RESERVE

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

REVENUE ACCOUNT/ INCOME AND EXPENDITURE ACCOUNT

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

REVENUE SUPPORT GRANT

A Welsh Government administered grant paid in support of Local Government and Police revenue expenditure.

NATIONAL NON DOMESTIC RATE (NNDR)

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

TEMPORARY BORROWING/ INVESTMENT

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