

**THE CHIEF CONSTABLE
FOR SOUTH WALES**

(CORPORATION SOLE)

STATEMENT OF ACCOUNTS 2021-22

Umar Hussain MBE, BA (Hons) FCCA, MPLA

**CHIEF FINANCIAL OFFICER to the
CHIEF CONSTABLE**



STATEMENT OF ACCOUNTS 2021-22

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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 include the public, government, grant-awarding bodies, employees, customers, suppliers and contractors of the Commissioner.

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 Corporations Sole. The review of the effectiveness of the governance arrangements is detailed within the Annual Governance Statement that accompanies the Statement of Accounts. It is reviewed and updated annually.

Statutory Framework for the Statement of Accounts

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

The Accounts and Audit (Wales) Regulations 2014 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 (the Code) is identified as representing proper practices.

The Code applies to Local Government Bodies set out in the Public Audit (Wales) Act 2014 who are required to prepare accounts for audit by Auditor General for Wales. Section 12 of this Act was amended by the Police Reform Social Responsibility Act 2011 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 for the Statement of Accounts
Sets out the responsibilities of the Chief Constable and Chief Finance Officers during the production and approval of the Statement of Accounts.

- Comprehensive Income and Expenditure Statement
This sets out the cost in the year of providing policing services in accordance with International Accounting Standards (IAS) rather than the amount funded from Government Grants and Council Tax Precept.
- Balance Sheet
The balance sheet sets out the assets, liabilities and reserves held as at 31 March 2022.
- 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 Financial Statements
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 Corporations Sole - the Commissioner and the Chief Constable. It focuses on the key elements of the accounts with further information being 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 statement 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 statement 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 Chief Constable has no reserves or 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.

Expenditure and Funding Analysis

No separate Expenditure and Funding Analysis (EFA) is presented for the Chief Constable as it would provide an incomplete picture of the required disclosures. The Group EFA is presented within the Financial Statements section of the Police and Crime Commissioner for South Wales Police and shows the complete analysis as required.

Financial Performance of the Chief Constable

The below table details the sources of revenue funding for 2021-22 compared to the previous financial year:-

	2021-22	2021-22 £M	2020-21	2020-21 £M
	%		%	
Budget Requirement				
Council Tax Income	44%	(144.3)	45%	(135.9)
Non-Domestic Rate Income (Welsh Government)	7%	(23.3)	7%	(21.9)
Revenue Support Grant (Welsh Government)	16%	(52.7)	17%	(53.9)
Police Grant (Home Office)	33%	(107.6)	31%	(96.9)
Total Funding	100%	(327.9)	100%	(308.6)

The final outturn position for the year, after allowing for planned transfers from/to Earmarked Reserves, was a small underspend of £0.3m which was transferred to the Police Fund. This outturn position is consistent with the objective of the Medium Term Financial Strategy (MTFS) of achieving greater than 99.5% accuracy on budget to actual spend :-

Budget Area	Annual Budget £M	Full Year Spend £M	Carry Forward/ Transfer to Reserves & Provisions £M	Under/ (Over) Spend £M
Police Officer Pay & Pensions	164.0	160.4	0.0	3.6
Police Staff Pay	66.3	64.0	0.0	2.3
Devolved Budgets	10.5	11.3	0.1	(0.9)
Force/ Contingency Budgets	24.3	23.7	0.0	0.6
Centralised Budgets	13.8	14.1	0.0	(0.3)
Externally Funded Budgets	13.6	11.6	0.2	1.8
Collaborative Budgets	21.7	20.5	1.1	0.1
Central Budgets	7.2	8.7	5.6	(7.1)
Office of the Police & Crime Commissioner	6.5	6.0	0.3	0.2
TOTAL	327.9	320.3	7.3	0.3

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 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 Police and Crime Commissioner's Group Statement of Accounts.

The Police Fund

The balance on the Police Fund is below the target level of 3% of Gross Revenue Expenditure and is currently £10.3m against a target of £12.3m. Funding of £37.6m is retained in earmarked reserves for specific revenue and capital purposes. Further details of these are contained within the Group Statement of Accounts.

Police Officer Uplift Programme

The financial year 2021-22 was the second year of the Police Officer Uplift Programme with a target of 133 additional Police Officers to be recruited into the Force as well as the 136 Officers for the first year of the programme. By the end of 2022-23, the total number of Police Officers to be recruited from the uplift programme should be 450. Funding has also been made available for the equivalent uplift in Police Staff by around 150. However, it is important to note that the allocations from the uplift programme still fall short of the pre-austerity staffing levels.

The Home Office provided additional funding of £9.4m for year 2 of the Police Officer Uplift Programme. There was no additional funding to cover inflationary pressures on core budgets such as pay and price increases and organisational support structures to sustain Uplift in terms of technology, transport, uniform, property, training recruitment. This funding situation required a police precept increase to deliver a balanced budget for the year.

Coronavirus Pandemic

During 2021-22, the national police distribution hub has supplied Personal Protective Equipment (PPE) free of charge to all Forces including South Wales Police, which has been accounted for in accordance with guidance supplied from CIPFA. The pandemic continued to have an impact on the Force throughout 2021-22 with £0.7m being recorded against Operation Protect (Force Covid Response). At the end of the financial year £1.1m remains in an earmarked reserve for anticipated future covid related expenditure.

Pensions Liability

Actuarial Valuations

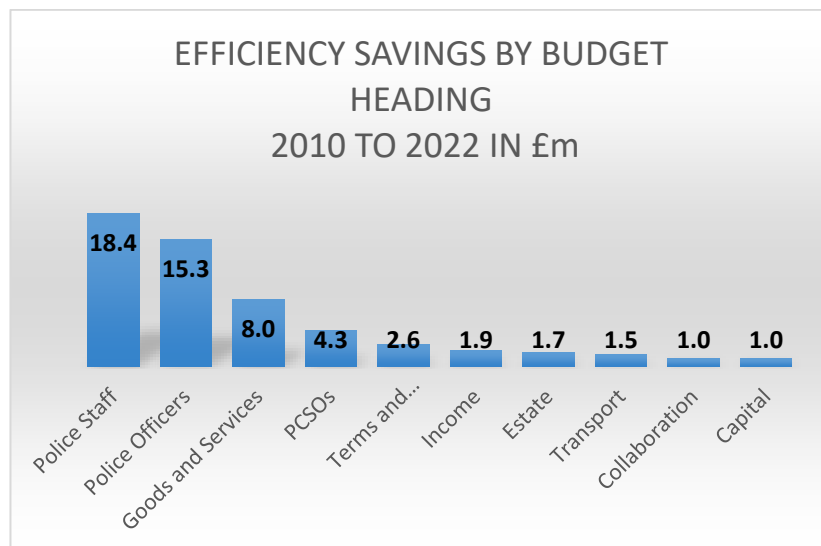
The Government Actuary's Department calculate the potential liability of the Police schemes based on Actuarial review, using Pension and Payroll data. This estimated liability increased over the year from £3.747bn to £3.795bn as at 31 March 2022, an increase of 1.3%, this was mainly attributed to changes in actuarial assumptions. The Pension Scheme for Police Officers is an unfunded government backed scheme.

In the case of Police Staff, South Wales Police is an admitted body to the Rhondda Cynon Tâf County Borough Council Local Government Pension Scheme. The Actuary's assessment of South Wales Police's share of the estimated deficit in this scheme decreased over the year from £221.49m to £166.47m as at 31 March 2022, a decrease of 24.8%, this was mainly due to changes in the actuarial assumptions.

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

Efficiency & Effectiveness

As a consequence of central grant funding from the Home Office not keeping pace with rising costs and changing demands, rigorous financial measures had to be implemented to deal with the budget shortfalls and a comprehensive Value for Money Plan was developed which has delivered £56m of cash releasing savings to date in the following areas.



The latest Medium Term Financial Strategy 2026 based on the three year Government spending review forecasts an additional budget gap over the next four years of £10m against which £4.6m of savings have been targeted during the 2022-23 financial year.

Non-Financial Performance

Covid-19 has had a significant impact on the national economy, health, livelihoods and businesses across both public and private sector. However, the foresight in investment in

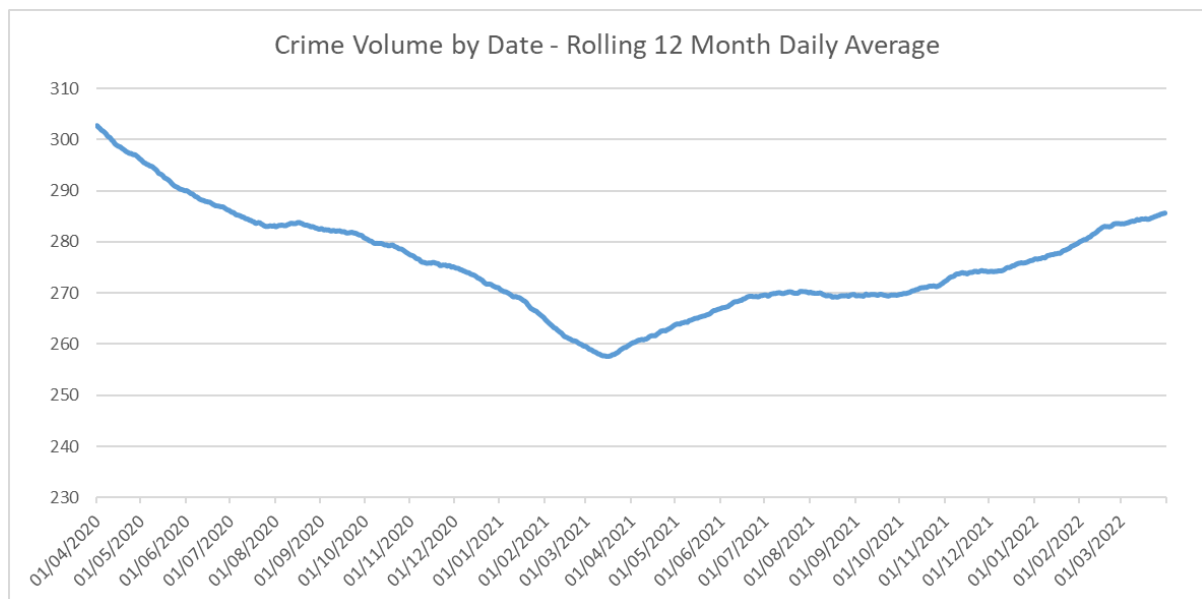
technology and agile working enabled South Wales Police to respond quickly to social distancing and public safety rules and maintain an effective policing service.

Covid-19 also impacted on the workforce which despite the resulting absences remained an effective 24/7 emergency service having instigated good infection containment measures, for example in order to maintain essential public contact centre services both 999 and 101, the service was split into different locations and protective bubbles maintained to quickly isolate any outbreaks.

Given the potential for disruption therefore, South Wales Police demonstrated resilience and continued effective operational arrangements throughout the Pandemic. The performance information below should be considered within this context.

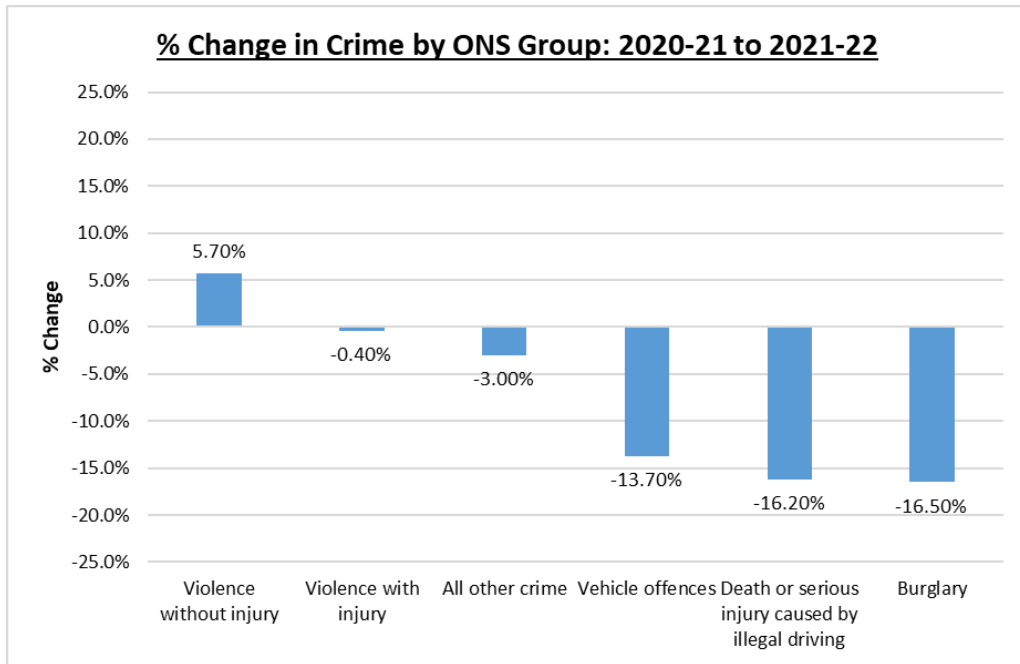
Recorded Crime

Given the national restrictions on public movements and rules on isolation the 2020/21 financial year was unusual whereby crime reduced month on month. However, as restrictions eased the graph below shows that month on month crime levels started to increase albeit not yet to the levels experienced pre-covid.



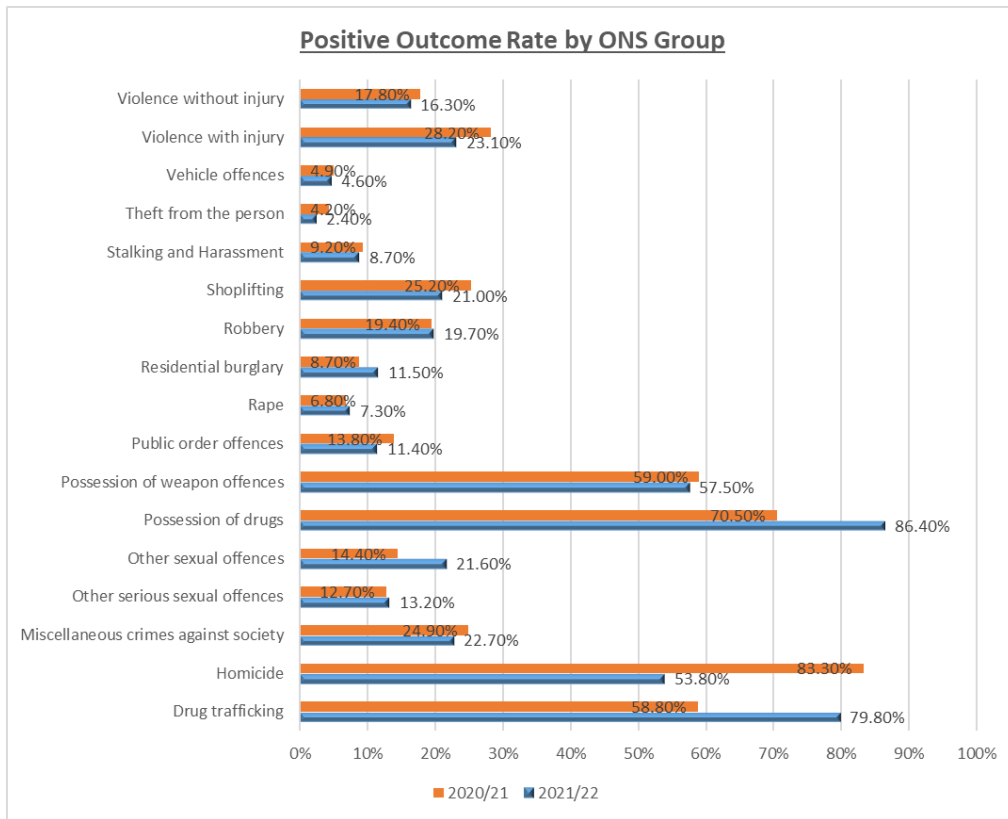
Recorded Crime – Year On Year % Change

Overall crime levels were still lower than those experienced during 2020/21 mainly in the areas of acquisitive crime, the change in crime levels within in main categories is shown below:



Positive Outcome Rate by Offence Group & ONS Group

The chart belows shows comparative performance on positive outcome rates between 2020-21 and 2021-22 using the Office of National Statistics groupings on crime and it is pleasing to note the significant improvement on tackling possession and trafficking of drugs activity across the force area. In respect of outcomes on Homicides, these tend to be complicated investigations and prosecutions and often span financial years.



Making Every Contact Count

71.5% of 999 calls were answered within 10 seconds which is below the national target. Overall 97.3% of 999 calls were answered and 78.9% of non-emergency calls were answered.

Equality, Diversity and Human Rights

South Wales Police has been working to improve the confidence of victims of hate crime to report incidences and recorded a 26% increase in hate crimes in 2021-22 with 2,671 hate crimes, compared to 2,119 in 2020-21.

Quality of Service

During 2021-22, 93.3% of crimes reported to South Wales Police were recorded within 24 hours. South Wales Police recorded a positive outcome rate of 15.9% for overall crime in 2021-22, compared to 22.4% in 2020-21. South Wales Police recorded a 8% decrease in burglaries in 2021-22 with 4,318 crimes, compared to 4,690 in 2020-21.

Police Effectiveness Efficiency & Legitimacy Programme (Peel)

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services' (HMICFRS) have carried out their PEEL (police effectiveness, efficiency and legitimacy) Assessment in 2021-22 and it is anticipated that this assessment on how South Wales Police keep people safe and reduce crime will be published in the summer.

Future Developments

Funding Settlement 2022-23 and Beyond

The Government published its three-year Comprehensive Spending Review in October 2021, covering the period 2022-23 to 2024-25. Work on a replacement of the obsolete Police Funding Formula has at last commenced again after the previous review was abandoned. It is accepted by Government that the formula is both opaque and out-of-date as has been widely recognised as such for more than a decade by successive Governments. South Wales Police has been denied around £111m in grant funding since 2010-11 due to the funding inequalities that the formula produces. Previous Comprehensive Spending Reviews have required the delivery of significant financial "efficiencies" and budget reductions and since austerity measures were instigated in 2010-11, South Wales Police has delivered £56m of cumulative savings to achieve balanced budgets in each year over a decade.

The 2022-23 National Police settlement, after allowing for inflation, both pay and non-pay, plus pension increases, provides no additional resource for growth, and leaves a 'gap' in South Wales Police funding of £11.7m. In order to achieve a balanced budget for the year, this gap was addressed by a combination of a police precept increase of 5% on Band D property and further budget cuts £4.6m.

In addition, the announced provisional settlements for 2023-24 and 2024-25 will result in further flat cash settlements, which will necessitate deeper budget cuts in these years. The three year Government spending review was before the unplanned supply chain challenges and the War in Ukraine resulting in inflation busting increases in fuel and supplies which are likely to have further negative consequences for government and police budgets.

Apprenticeship Levy

The funding arrangements in respect of the Policing Education Qualifications Framework (PEQF) have created resource inequality between Wales and England. Whilst all forces in England and Wales pay an apprenticeship levy of 0.5% on top of payroll costs, Welsh police

forces cannot access the tuition costs as the Police Constable Degree Apprenticeships is not supported by devolved funding arrangements in Wales. During 2020/21 the Welsh forces received £1m of Home Office Funding to be shared by all four forces (against an annual cost across policing in Wales of £6m) and this continued into 2021-22. Protracted discussions have now resulted in some further progress with the latest position in respect of 2022-23 being a direct reimbursement by the Home Office of the 0.5% levy contributions incurred by Welsh forces, however the ongoing tuition costs are still not fully funded

Longer-Term Financial Issues

There are a number of longer term funding issues that will need to be addressed into financial planning requirements. These include, but are not limited to:

- Inflation and the national cost of living crisis and particularly cost of energy
- Police Funding Formula Changes
- Long term implications of Covid-19
- Achieving Net Zero Targets
- Delivering on a Sustainable Technology and Transport and Police Communications infrastructure

Police and Crime Commissioner's Police & Crime Plan and Chief Constable's Delivery Plan

The Commissioner and the Chief Constable have an agreed Mission - of Keeping South Wales Safe and an agreed Vision of -being the best at understanding and responding to the needs of our communities.

The Commissioner has established an effective governance process to secure continuous improvements in service delivery and sound financial management. The Commissioner and the Chief Constable are independently assessed on the delivery of value for money by HMICFRS and Auditor General for Wales. Both bodies have provided positive assurances on financial management and value for money including the improvements in operational delivery.

The Commissioner was re-elected for a third term in May 2021, for a three-year term and refreshed his Police & Crime Plan in 2021. The Chief Constable's Delivery Plan sets out how South Wales Police will deliver on the policing priorities as well supporting the delivery of the Commissioner's Police & Crime Plan.

The Medium Term Financial Strategy (MTFS) is consistent with the Mission and Vision, of South Wales Police and ensures resourcing of the key priorities in the Commissioner's Police and Crime Reduction Plan and the Chief Constable's Operational Delivery Plan. In particular the MTFS seeks to:

- Maintain collaborative momentum to secure further savings for South Wales Police and its partners;
- Secure a sustainable infrastructure particularly estates, transport and a technology platform to secure long term productivity gains. Detailed strategies including Asset Management Plans will ensure effective provision, use and deployment of resources;
- Ensure (as a minimum) that there is sufficient investment funding to provide a safe secure property base which is compliant with Health & Safety and other legislative requirements to maintain operational effectiveness;

- Maintain the purchasing power of base budgets particularly on fixed or unavoidable costs (e.g. overtime, allowances, utilities, licences, contracts) in order to ensure that financial plans are realistic and deliverable;
- Aim for the budget to actual outturn accuracy to be more than 99.5%; and
- Ensure that borrowing levels remain affordable and sustainable over the term of the Medium Term Financial Strategy.

The Annual Budget provides the resources needed in the 2022-23 financial year to meet the priorities set out in the Police and Crime Reduction Plan, including:

- Working with partners to reduce crime, disorder and antisocial behaviour while coping with a wide variety of demands that go beyond what is normally thought of as “policing”;
- Maintaining the current level of neighbourhood policing and engagement with the communities of South Wales;
- Protecting vulnerable people and reducing the likelihood of repeat offending in respect of such offences as hate crime, violence against women and girls, child sexual exploitation, domestic abuse and online crime;
- Working with partners to improve the local Criminal Justice System, particularly in respect of managing offenders and reducing reoffending by young people (under the age of 18) and those in the 18 to 25 age group;
- Making a contribution to the Strategic Policing Requirement and protecting the public in South Wales, responding realistically to the identified threats from organised crime and terrorism and policing an ever-increasing number of events;
- Meeting the challenge of changing standards for the training of police officers, proposed by the College of Policing while also seeking to develop our staff at every level to meet the challenges they face and recruiting people so that the workforce as a whole reflects the communities that we police; and
- Policing the Capital City of Wales.

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

South Wales Police has established a Productivity Efficiency and Innovation Strategy and a governance Board to enable the delivery of anticipated budget cuts and efficiency requirements.

UMAR HUSSAIN

Chief Finance Officer

Dated:

THE INDEPENDENT AUDITOR'S REPORT OF THE AUDITOR GENERAL FOR WALES TO CHIEF CONSTABLE FOR SOUTH WALES

Opinion on financial statements

I have audited the financial statements of:

- Chief Constable of South Wales; and
- South Wales Police Pension Fund

for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

The Chief Constable of South Wales' financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the related notes, including a summary of significant accounting policies.

The South Wales Police Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and related notes

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of South Wales and the South Wales Police Pension Fund as at 31 March 2022 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Chief Constable of South Wales in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable of South Wales and the South Wales Police Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
- The information given in the joint Annual Governance Statement of the Police and Crime Commissioner for South Wales and the Chief Constable for South Wales for the financial year for which the financial statements are prepared is consistent with the financial statements and the joint Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Chief Constable of South Wales and the South Wales Police Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the joint Annual Governance Statement.

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

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Chief Constable of South Wales and the South Wales Police Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Chief Constable of South Wales and his head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Chief Constable of South Wales and the South Wales Police Pension Fund policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias when calculating accounting estimates;
- Obtaining an understanding of the Chief Constable of South Wales and the South Wales Police Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Chief Constable of South Wales operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a

fundamental effect on the operations of the Chief Constable of South Wales and the South Wales Police Pension Fund.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Joint Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Chief Constable of South Wales and the South Wales Police Pension Fund 's controls, and the nature, timing and extent of the audit procedures performed.

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

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales
29 September 2022

24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the Chief Constable for South Wales Police website is their 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 FOR THE STATEMENT OF ACCOUNTS 2021-22

Responsibilities of the Chief Constable

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 Finance Officer to the Chief Constable;
- manage his affairs to secure economic, efficient and effective use of his resources and safeguard his assets; and
- approve the Statement of Accounts.

I certify the approval of this Statement of Accounts.

Signed:

Dated:

JEREMY VAUGHAN
The Chief Constable for South Wales

Responsibilities of the Chief Finance Officer

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 Finance Officer has:

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts, presents a true and fair view of the financial position of the Police and Crime Commissioner for South Wales at the accounting date and his income and expenditure for the year ended 31 March 2022.

Signed:

Dated:

UMAR HUSSAIN FCCA
Chief Finance Officer

FINANCIAL STATEMENTS 2021-22



Comprehensive Income and Expenditure Statement (CIES) – Chief Constable

The comprehensive income and expenditure 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.

		Chief Constable 2021-22			Chief Constable 2020-21		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Police Officer Pay & Pensions		208,825	0	208,825	189,704	0	189,704
Police Staff Pay		80,602	0	80,602	69,523	0	69,523
Devolved Budgets		13,000	0	13,000	9,788	0	9,788
Force/Contingency Budgets		38,100	0	38,100	33,651	0	33,651
Centralised Budgets		10,011	0	10,011	9,614	0	9,614
Externally Funded Budgets		28,048	0	28,048	23,874	0	23,874
Collaborative Budgets		40,987	0	40,987	35,694	0	35,694
Central Budgets		12,976	0	12,976	11,444	0	11,444
Police Services		432,549	0	432,549	383,292	0	383,292
Non Distributed Costs:							
- Retirement Benefits Past Service Cost		80	0	80	0	0	0
Cost of Services	7	432,629	0	432,629	383,292	0	383,292
Other operating Expenditure							
Financing and investment income and expenditure	6	79,417		79,417	78,899	0	78,899
Taxation and non-specific grant income				0	0	0	0
Commissioning Costs (intra-group transfer)		(512,046)	0	(512,046)	(462,191)	0	(462,191)
(Surplus)/deficit on Provision of Services		0	0	0	0	0	0
Actuarial (gains)/losses on pension assets/liabilities							367,414
Commissioning Costs (intra-group transfer)				<u>115,044</u>			<u>(367,414)</u>
Other Comprehensive (Income) and Expenditure				0			0
Total Comprehensive (Income) and Expenditure				0			0

Balance Sheet – Chief Constable

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.

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 2022 £000	31 March 2021 £000
Long Term Debtors - intra-group transfer		3,958,395	3,964,891
Long term Assets		3,958,395	3,964,891
Inventories		1,894	1,431
Debtors - intra-group working capital		34,492	27,141
Current Assets		36,386	28,572
Short term creditors	13	(36,386)	(28,572)
Current Liabilities		(36,386)	(28,572)
Local Government Pension Schemes	14	(163,425)	(217,771)
Police pension Schemes	14	(3,794,970)	(3,747,120)
Long Term Liabilities		(3,958,395)	(3,964,891)
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 Reserves 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.

Police Pension Fund Account

	2021-22	2020-21
Police Scheme	£000	£000
Contributions receivable		
From employer:		
- Normal	(36,920)	(35,501)
- Early retirements (incl. capital equivalent charge for ill health retirements)	(586)	(434)
From members	(15,943)	(15,352)
	(53,449)	(51,287)
Transfers in		
Individual transfers in from other schemes	(378)	(101)
Benefits payable		
Pensions	82,763	80,846
Commutations and lump sum retirement benefits	18,552	14,580
Lump sum death benefits	203	451
	101,518	95,877
Payments to and on account of leavers		
Transfers to other schemes	124	0
Refunds of contributions	88	11
	212	11
Sub-total before transfer from the Police Fund	47,903	44,500
Additional funding payable by Police Fund (by way of top up grant)	(47,903)	(44,500)
Funding Shortfall to be met by Police Fund	0	0

Notes to the Police Pension Fund Accounts

The requirement to establish a separate Police Pension Fund Account was established by the Police Pension Fund Regulations 2007 (SI 2007/1932). Employees' and Employers' contributions to this fund are set by central government.

Since 2019-20, the Home Office has provided a grant to assist with the increased rate of employer's contributions to the police pension scheme. In 2021-22 the Commissioner received £3.1m (the same as in 2020-21) in recognition of this increase which was a result of changes in actuarial assumptions.

The police pension fund is administered and managed by a third party: for the year 2021-22 this was Capita Employee Benefits Limited until the 1 July and then XPS Administration for the remainder of the financial year.

The Police pension is an unfunded scheme and as such, the fund has no investment assets. 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 is in turn reimbursed by the Home Office.

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.

Other than the notes above, the Police Pension Fund has followed the accounting policies as set out in note 1 below and Note 14 below.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Accounting Policies

General Principles

The Statement of Accounts summarises transactions for the financial year 2021-22 and the outturn at the year-end of 31 March 2022 and comparative positions in respect of 2021. The Chief Constable is required to produce an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 which requires them to be prepared in accordance with proper accounting practices under Section 21 of the Local Government Act 2003. 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 2021-22 (the Code) supported by International Financial Reporting Standards (IFRS).

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 Police 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 statement 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 statement 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 employee'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 1 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 Tâf County Borough Council Pension Fund making appropriate employer contributions for their staff scheme members into that fund.

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

Events after the reporting period

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

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

Exceptional items and prior period adjustments

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

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

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

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

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 Arrangements 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.

Value added tax

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

Note 2 Accounting Standards Issued, Not Adopted

Under the Code the 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.

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

IFRS 16 (Leases) has been issued but implementation delayed until 2024-25 but this is excluded from being included in this reporting requirement.

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.

- Accruals for accumulated absences are based on information from the force rostering system for both on officers and rostered operational staff and other police staff, however the accrual is based on a salary point that might not be the point that the individuals are on.

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 facts. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

- Pensions – information is received from the Actuary for both the Police and Local Government Pension Scheme Liabilities. The below table shows the sensitivity analysis on the assumptions used

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	+0.5% a year	-9.5%	-361
	Rate of increase in salaries	+0.5% a year	1.0%	37
	Rate of increase in pensions / deferred revaluation	+0.5% a year	8.5%	325
	Life expectancy: all members and adult dependants assumed to be one year younger		3.5%	131
	* 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 2022 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	-2.4	-16
	Adjustment to salary increase rate	+0.1% p.a	0.4	3
	Adjustment to pension increase rate	+0.1% p.a	2.1	14
	Adjustment to mortality age rating assumption **	+1 year	-3.4	23
	**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.			

Note 5 Events after the Reporting Period

There are no events after the reporting period.

NOTES TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

Note 6 Financing and investment income and expenditure

The net interest expense/net interest on the net defined benefit liability (asset) is recognised in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

	2021-22	2020-21
	£000	£000
Pension interest costs	79,500	78,960
Less Pension items relating to the Commissioner	(83)	(61)
Total	79,417	78,899

Note 7 Amounts Reported for Resource Allocation Decisions

The total expenditure within the cost of services is analysed below between pay and non-pay expenditure.

Subjective analysis – Income and Expenditure

	2021-22	2020-21
	£000	£000
Employee expenses	238,680	225,207
Other operating expenses	193,949	158,085
Total Operating expenses	432,629	383,292
Net Cost of Services	432,629	383,292

Note 8 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:

	2021-22	2020-21
	£000	Restated £000
Not later than one year	1,212	1,335
Later than one year and not later than five years	1,166	1,735
Later than five years	2,077	696
TOTAL	4,455	3,766

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

	2021-22	2020-21
	£000	£000
Minimum lease payments (annual cost)	1,493	1,470
TOTAL	1,493	1,470

Note 9 Officers' / Employees' Remuneration

Remuneration Ratio

This disclosure is a requirement of the Accounts and Audit (Wales) Regulations 2014 and ensures transparency and accountability in public sector entities.

Chief Constable

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

	2021-22	2020-21
	£	Restated £
Highest Paid Director (Chief Constable) - Annualised Salary	166,911	165,215
Median	34,578	34,578
Ratio	4.8	4.8

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 but excludes employer's pension contributions. It also includes exit payments as appropriate. The following table excludes senior police officers that are recorded in the tables on pages 28-29. This is in accordance with regulations.

Single entity - Chief Constable

Bandings £	Numbers 2021-22	Numbers 2020-21
60,000-64,999	110	62
65,000-69,999	33	23
70,000-74,999	14	8
75,000-79,999	11	14
80,000-84,999	11	10
85,000-89,999	10	5
90,000-94,999	3	3
95,000-99,999	4	4
Total	196	129

The full-year impact in 2021-22 of the mid-year pay award from 2020-21 has resulted in a significant rise in those included in the lowest of the above bandings.

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. There were no exit packages in 2020-21.

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	
	2021-22	2020-21	<i>(Voluntary redundancies)</i>		2021-22	2020-21	2021-22	2020-21
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0

Remuneration Report for senior relevant police officers and senior employees

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

The Chief Constable 2021-22

Post holder information (post title and name)	From	To	Salary (including fees & allowances) £	Annualised Salary £	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 2021-22	Pension contributions £	Total Remuneration including pension contributions 2021-22
										£		£
Chief Constable J. Vaughan	01/04/2021	31/03/2022	166,911	166,911	0	335	0	0	0	167,246	51,742	218,988

Post holder information (post title)	From	To	Salary (including fees & allowances) £	Annualised Salary £	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 2021-22	Pension contributions £	Total Remuneration including pension contributions 2021-22	
										£		£	£
Deputy Chief Constable 1	Note 4	19/04/2021	31/03/2022	130,818	137,703	0	774	0	58,370	9,000	198,962	40,554	239,516
T/Deputy Chief Constable 2	Note 1	01/04/2021	18/04/2021	6,885	139,616	0	0	0	0	0	6,885	2,134	9,019
ACC Territorial Policing 1		19/04/2021	31/03/2022	113,259	119,220	0	0	0	8,953	0	122,212	35,110	157,322
T/ACC Territorial Policing 2	Note 2	01/04/2021	18/04/2021	5,280	107,067	0	15	0	62	0	5,357	769	6,126
ACC Specialist Crime	Note 3	01/04/2021	31/03/2022	114,419	114,419	0	1,502	0	12,520	11,350	139,791	35,470	175,261
ACC All Wales Police Collaboration		24/01/2022	31/03/2022	19,871	108,252	0	0	0	0	0	19,871	6,160	26,031
ACC Head of Support Portfolio	Note 5	01/04/2021	31/03/2022	112,569	112,569	0	28,569	0	7,754	0	148,892	34,896	183,788
Chief Financial Officer		01/04/2021	31/03/2022	119,220	119,220	0	0	0	4,848	0	124,068	18,121	142,189
Director of Human Resources		01/04/2021	31/03/2022	113,259	113,259	0	0	0	11,277	0	124,536	18,121	142,657

- Note 1 Temporary Promotion to DCC
 Note 2 Temporary Promotion to ACC Territorial Policing - No additional Employers pensions ACC as difference in pay non-pensionable
 Note 3 Relocation Expenses: 'Rented accommodation provided prior to relocation'. Monthly Rent 1 Apr 2021 to 31 Mar 2022
 Note 4 Relocation Expenses: 'Rented accommodation provided prior to relocation'. Monthly Rent 7 July 2021 to 6 Jan 2022
 Note 5 This relates to a taxation liability resulting from relocation

The Chief Constable 2020-21 (Restated)

Post holder information (post title and name)	From	To	Salary (including fees & allowances) £	Annualised Salary £	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 2020-21 £	Pension contributions £	Total Remuneration including pension contributions 2020-21 £
Chief Constable M. Jukes	01/04/2020	08/11/2020	99,377	165,215	0	0	0	0	0	99,377	30,807	130,184
Chief Constable J. Vaughan	09/11/2020	31/03/2021	65,837	165,215	0	0	0	0	0	65,837	20,410	86,247

Post holder information (post title)	From	To	Salary (including fees & allowances) £	Annualised Salary £	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 2020-21 £	Pension contributions £	Total Remuneration including pension contributions 2020-21 £	
Deputy Chief Constable 1	01/04/2020	08/11/2020	81,987	136,303	0	0	0	4,277	0	86,264	25,416	111,680	
T/Deputy Chief Constable 2	09/11/2020	31/03/2021	54,316	136,303	0	0	0	8,178	0	62,494	16,838	79,332	
ACC Territorial Policing 1	01/04/2020	08/11/2020	69,690	116,715	0	40	0	0	0	69,730	21,604	91,334	
T/ACC Territorial Policing 2	09/11/2020	31/03/2021	41,653	104,526	0	62	0	489	0	42,204	10,994	53,198	
T/ACC Specialist Crime 1	01/04/2020	31/05/2020	17,171	104,526	0	640	0	207	0	18,018	4,625	22,643	
ACC Specialist Crime 2	Note 1	01/06/2020	31/03/2021	89,368	106,538	0	935	0	9,862	10,175	110,340	27,704	138,044
T/ACC Head of Support Portfolio 1		01/04/2020	31/05/2020	17,171	104,526	0	0	0	207	0	17,378	4,625	22,003
ACC Head of Support Portfolio 2	Note 2	01/06/2020	31/03/2021	87,520	104,691	0	240	0	31,466	6,125	125,351	27,131	152,482
Chief Financial Officer		01/04/2020	31/03/2021	112,109	112,109	0	0	0	8,162	0	120,271	17,937	138,208
Director of Human Resources *		01/04/2020	31/03/2021	112,109	112,109	0	(1,859)	0	11,277	0	121,527	17,937	139,464

* The Director of Human Resources has a negative expense allowance due to the recovery of an Essential User Allowance paid in the previous financial year.

Note 1 Relocation Expenses: 'Rented accommodation provided prior to relocation'. Monthly Rent 29 May 2020 to 31 Mar 2021

Note 2 Relocation Expenses: 'Rented accommodation provided prior to relocation'. Monthly Rent 22 May 2020 to 21 Dec 2020

Note 10 Members' Allowances

In accordance with the Code, £6k (total for the group) allowances were paid to members of the Joint Audit Committee in 2021-22 (£4k 2020-21). Members' allowances apply to both the Police and Crime Commissioner and the Chief Constable's accounts. Members receive a taxable attendance allowances which is paid through payroll.

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 and provided by external auditors. The total fee of £105k (£101k 2020-21) is split equally between the Commissioner and Chief Constable.

Note 12 Related Parties

IAS24 requires South Wales Police to disclose all material transactions with related parties – bodies or individuals that have the potential to control or influence, or to be controlled by the South Wales Police. Disclosure of these transactions allows readers to assess the extent to which the South Wales Police might have been constrained in their ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with South Wales Police.

Members

All Members of the Joint Audit Committee (JAC) were issued with a form to declare any external interests and related party transactions. The total of members' allowances paid is shown in Note 10. The related party transactions that occurred and are reported below.

One JAC member is also an independent member of the Standards Committee for Swansea Council. During 2021-22, the Commissioner received £17,104 from Swansea Council and made payments amounting to £708,073. There was no debtor balance and no creditor balance with Swansea Council at the year end.

One JAC member is also a non-legal member of HM Courts and Tribunal Service. During 2021-22, the Commissioner made payments of £39,988 to HM Courts and Tribunal Services. There was no creditor balance of at the year end.

One JAC member is also a member of the Welsh Government Audit Committee. During 2021-22, the Commissioner received a number of grants from Welsh Government including the Police Apprenticeships and Community Safety Officer grants totalling £9m (£8.7m in 2020-21) and made payments amounting to £22,262. There was no debtor balance and no creditor balance with Welsh Government at the year end.

One JAC member is also an independent member of the Standards Committee for Merthyr Tydfil Council. During 2021-22, the made payments amounting to £758,403. There was no creditor balance with Merthyr Tydfil Council at the year end.

One JAC member is also an independent member and Vice Chair of the Standards Committee for Mid & West Wales Fire Authority. During 2021-22, the Commissioner received £381,934 from Mid & West Wales Fire Authority and made payments amounting to £18,792. There was no debtor balance and no creditor balance with Mis & West Wales Fire Authority at the year end.

One JAC member is also an independent member of the Children and Young People Committee for Rhondda Cynon Taff Council. During 2021-22, the Commissioner received £418,173 from Rhondda Cynon Taff Council and made payments amounting to £1,151,157. There was no debtor balance and no creditor balance with Rhondda Cynon Taff Council at the year end.

Chief Officers

The Chief Constable and his senior command team have declared no related party transactions.

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

NOTES TO THE BALANCE SHEET

Note 13 Creditors

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

	2021-22	2020-21
	£000	£000
Central government bodies	8,903	8,447
Other local authorities	4,209	4,256
Other entities and individuals (incl other funds)	28,218	20,724
Less Creditor items relating to the Commissione	(4,944)	(4,855)
Total	36,386	28,572

Note 14 Defined Benefit Pension Schemes

Legal Cases

The Chief Constable of South Wales Police, along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in October 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries originally estimated the increase in scheme liabilities for the Force to be 4.4% or £151.09m of pension scheme liabilities. This was recognised in the 2018-19 accounts.

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

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

The Balance Sheet included in this Statement of Accounts shows an adjusted liability for LGPS. The adjustment is based on a notional apportionment of staff who work for South Wales Police as opposed to the Commissioner. The figures presented in this disclosure note refer to the group position based on the single report provided by AON.

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 Tâf (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 pension liabilities with investment assets. The method used to determine the rate of employer's 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 pension 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 2019, further interim work has been undertaken by the Fund's Actuaries to derive suitable approximate cost estimates to participating bodies.

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

Local Government Pension Scheme and Unfunded Discretionary Benefits	Discretionary Benefits			Discretionary Benefits		
	Pension Scheme 2020-21	Arrangements 2020-21	Total 2020-21	Pension Scheme 2020-21	Arrangements 2020-21	Total 2020-21
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
- Current service cost	37,720		37,720	24,390		24,390
- Past service costs	80		80	0		0
Financing and Investment Income and Expenditure						
- Interest on net defined benefit liability/(asset)	4,490	30	4,520	3,630	30	3,660
Total Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement						
	42,290	30	42,320	28,020	30	28,050
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	(8,700)	0	(8,700)	(106,320)	0	(106,320)
- Actuarial (gains)/losses:						
Due to changes in financial assumptions	(71,360)	(40)	(71,400)	151,110	120	151,230
Due to changes in demographic assumptions	(6,740)	(20)	(6,760)	0	0	0
Due to liability experience	1,780	0	1,780	(4,650)	(20)	(4,670)
Total Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement						
	(85,020)	(60)	(85,080)	40,140	100	40,240
Total Amount Recognised						
	(42,730)	(30)	(42,760)	68,160	130	68,290
Movement in Reserves Statement						
or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(42,290)	(30)	(42,320)	(28,020)	(30)	(28,050)
Actual amount charged against the Police Fund Balance for pensions in the year:						
- Employers' contributions payable to scheme			12,321			11,560
- Retirement benefits payable to pensioners			0			0

Assets and liabilities in relation to Post-employment Benefits						
Reconciliation of present value of the scheme liabilities (defined benefit obligation):	Funded Pension Scheme	Unfunded Discretionary Benefits	Total	Funded Pension Scheme	Unfunded Discretionary Benefits	Total
	2021-22	2021-22	2021-22	2020-21	2020-21	2020-21
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(696,570)	(1,290)	(697,860)	(518,810)	(1,250)	(520,060)
Current service cost	(37,720)	0	(37,720)	(24,390)	0	(24,390)
Interest cost	(14,570)	(30)	(14,600)	(11,880)	(30)	(11,910)
Contributions by scheme participants	(4,940)	0	(4,940)	(4,670)	0	(4,670)
Benefits paid	10,570	90	10,660	9,640	90	9,730
Past service costs	(80)	0	(80)	0	0	0
Due to changes in financial assumptions	71,360	40	71,400	(151,110)	(120)	(151,230)
Due to changes in demographic assumptions	6,740	20	6,760	0	0	0
Due to liability experience	(1,780)	0	(1,780)	4,650	20	4,670
Closing balance at 31 March	(666,990)	(1,170)	(668,160)	(696,570)	(1,290)	(697,860)

Reconciliation of fair value of the scheme (plan) assets:	2021-22	2020-21
Local Government Pension Scheme	£000	£000
Opening balance at 1 April	476,370	355,320
Interest income on assets	10,080	8,250
Remeasurement gains/(losses) on assets	8,700	106,320
Employer contributions	12,260	11,450
Contributions by scheme participants	4,940	4,670
Benefits paid	(10,660)	(9,640)
Closing balance at 31 March	501,690	476,370

Scheme history	2021-22	2020-21	2019-20	2018-19	2017-18
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	(666,990)	(696,570)	(518,810)	(497,266)	(461,270)
Discretionary Benefits	(1,170)	(1,290)	(1,250)	(1,320)	(1,400)
Fair value of assets in the Local Government Pension Scheme	501,690	476,370	355,320	360,250	321,090
Total	(166,470)	(221,490)	(164,740)	(138,336)	(141,580)
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(165,300)	(220,200)	(163,490)	(137,016)	(140,180)
Discretionary Benefits	(1,170)	(1,290)	(1,250)	(1,320)	(1,400)
Total	(166,470)	(221,490)	(164,740)	(138,336)	(141,580)

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 £166.5m (£221.5m in 2020-21) 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 Police Fund being based on the latest full valuation of the scheme as at 31 March 2019.

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

Local Government Pension Scheme	Pension Scheme	Discretionary Benefits	Pension Scheme	Discretionary Benefits
	2021-22	2021-22	2020-21	2020-21
Mortality assumptions:				
Pensioner Member Aged 65 at Accounting Date				
- Men	21.6	21.6	21.8	21.8
- Women	23.9	23.9	24.1	24.1
Active Member aged 45 at Accounting Date				
- Men	22.6		22.8	
- Women	25.4		25.6	
Principal Financial Assumptions:				
Rate of increase in salaries	4.15%		4.0%	
Rate of increase in pensions	2.90%	2.90%	2.7%	2.7%
Rate for discounting scheme liabilities	2.70%	2.70%	2.1%	2.1%

The adjustment of the liability figure shown in the Balance Sheet is a notional estimate based on pay and pension costs of staff who work for South Wales Police (as opposed to the Commissioner) as a proportion of total pay and pension costs for all staff.

Asset Allocation

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

Local Government Pension Scheme	31 March 2022	31 March 2021
	%	%
Equity Investments	67.4%	70.7%
Property	7.3%	6.4%
Government Bonds	12.0%	9.1%
Corporate Bonds	12.9%	13.0%
Cash and other Assets	0.4%	0.8%
	100.0%	100.0%

Contributions for the accounting period ending 31 March 2023

The employers' regular contributions to the Fund for the accounting period ending 31 March 2023 are estimated to be £13.2m. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

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 Employee Benefits Limited until 1 July and then XPS Administration for the remainder of the financial year. 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 pension 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:

	Pension Scheme and Discretionary Benefits		Pension Scheme and Discretionary Benefits	
	2021-22	Total 2021-22	2020-21	Total 2020-21
Police Pension and Unfunded Injury Benefit Scheme	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
- Current service cost	89,310	89,310	75,850	75,850
- Past service costs	0	0	0	0
Financing and Investment Income and Expenditure				
- Interest on net defined benefit liability/(asset)	74,980	74,980	75,300	75,300
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	164,290	164,290	151,150	151,150
Other Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement				
- Actuarial (gains)/losses:				
Due to changes in financial assumptions	(48,730)	(48,730)	395,440	395,440
Due to changes in demographic assumptions	0	0	0	0
Due to liability experience	17,210	17,210	(67,590)	(67,590)
Total Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement	(31,520)	(31,520)	327,850	327,850
Total Amount Recognised	132,770	132,770	479,000	479,000
Movement in Reserves Statement				
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(164,290)	(164,290)	(151,150)	(151,150)
Actual amount charged against the Police Fund				
Balance for pensions in the year:				
- Employers' contributions payable to scheme	36,938	36,938	35,541	35,541
- Retirement benefits payable to pensioners (grant funded)	0	0	0	0

Assets and liabilities in relation to Post-employment Benefits				
Reconciliation of present value of the scheme liabilities (defined benefit obligation):	Unfunded Discretionary Benefits		Unfunded Discretionary Benefits	
	2021-22	Total 2021-22	2020-21	Total 2020-21
	£000	£000	£000	£000
Opening balance at 1 April	(3,747,120)	(3,747,120)	(3,350,310)	(3,350,310)
Current service cost	(89,310)	(89,310)	(75,850)	(75,850)
Past service charge	0	0	0	0
Interest cost	(74,980)	(74,980)	(75,300)	(75,300)
Contributions by scheme participants	(16,280)	(16,280)	(15,360)	(15,360)
Due to changes arising on the defined benefit obligation	(17,210)	(17,210)	67,590	67,590
Due to changes in financial assumptions	48,730	48,730	(395,440)	(395,440)
Benefits paid	101,200	101,200	97,550	97,550
Closing balance at 31 March	(3,794,970)	(3,794,970)	(3,747,120)	(3,747,120)

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 £3.795bn (£3.747bn 2020-21) has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police / the Commissioner remains healthy:

- the deficit on the police pension scheme will be made good by government grant and or increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the government and the scheme actuary; and

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Basis for Estimating Assets and Liabilities

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

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

	Pension Scheme and Discretionary Benefits 2021-22	Pension Scheme and Discretionary Benefits 2020-21
Police Pension and Unfunded Injury Benefit Scheme		
Mortality assumptions:		
Pensioner Member Aged 65 at Accounting Date		
- Men	22.1	22.0
- Women	23.8	23.7
Active Member aged 45 at Accounting Date		
- Men	23.8	23.7
- Women	25.4	25.3
Principal Financial Assumptions:		
Rate of inflation CPI	3.00%	2.40%
Rate of increase in salaries	4.75%	4.15%
Rate of increase in pensions	3.00%	2.40%
Rate for discounting scheme liabilities	0.00%	2.00%

Contributions for the accounting period ending 31 March 2023

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2023 are estimated to be £44.8m.

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.

Covid-19 Impact on Pension Schemes

Police Officers Scheme

The Actuary has commented that current population mortality projections make no specific allowance for the impact of Covid-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several

years. Their view is that it is too early to determine whether Covid-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's accounts.

LGPS Scheme

The Actuary has commented that there has been a change to the post-retirement mortality assumptions at this accounting date to allow for the effect of Covid-19 on the future development of mortality rates. This has had a positive effect on the balance sheet position equivalent to around 1% of the defined benefit obligation

Note 15 Contingent Liabilities & Contingent Assets

There are no contingent liabilities nor contingent assets at the balance sheet date.

NOTES ON COLLABORATION

Note 16 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.

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 total costs of the collaborative team in 2021-22 were £0.135m (2020-21 £0.162m) and South Wales Police's contribution to these costs was £0.053m in 2021-22 (2020-21 £0.040m).

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 IFRS 11, 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 £11.2m and income/grants have been reduced by £11.8m, an increase in net expenditure of £0.6m (2020-21 £0.05m decrease). This net increase has been reversed in the Movement in Reserves Statement with no impact on the Police Fund balance.

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

**North Wales Police, are basing their Dedicated Security Post (DSP) costs on income and expenditure rather than an allocation based on population in Wales. 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.*

2021-22											
COLLABORATIVE SERVICE AREA	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Digital Services Division	Joint Legal Services	Scientific Investigation Unit	Joint Firearms Unit	Joint Procurement	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pay Expenditure	6,115	534	3,894	7,507	1,909	4,456	1,368	5,933	13,255	594	45,565
Non Pay Expenditure	1,222	34	312	1,209	527	50	21	565	2,195	7	6,142
Gross Expenditure	7,337	568	4,206	8,716	2,436	4,506	1,389	6,498	15,450	601	51,707
Specific Grant Income	(7,303)	(568)	(4,206)	(5,000)	-	-	-	-	(1,354)	-	(18,431)
Income	(34)	-	-	(86)	(46)	-	-	(7)	(265)	-	(438)
Total Income & Grants	(7,337)	(568)	(4,206)	(5,086)	(46)	-	-	(7)	(1,619)	-	(18,869)
South Wales Police	-	-	-	(1,949)	(1,283)	(2,929)	(882)	(4,344)	(6,916)	(301)	(18,604)
Dyfed Powys Police	-	-	-	(738)	(486)	(1,577)	(507)	(2,147)	(4,149)	(300)	(9,904)
Gwent Police	-	-	-	(943)	(621)	-	-	-	(2,766)	-	(4,330)
North Wales Police	-	-	-	-	-	-	-	-	-	-	-
Force Contributions	-	-	-	(3,630)	(2,390)	(4,506)	(1,389)	(6,491)	(13,831)	(601)	(32,838)
(Surplus) or Deficit	-	-	-	-	-	-	-	-	-	-	-

2020-21											
COLLABORATIVE SERVICE AREA	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Digital Services Division	Joint Legal Services	Scientific Investigation Unit	Joint Firearms Unit	Joint Procurement	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pay Expenditure	5,814	527	4,111	6,292	1,628	4,329	1,298	5,818	12,376	438	42,631
Non Pay Expenditure	870	12	263	1,407	350	37	19	520	1,801	20	5,299
Gross Expenditure	6,684	539	4,374	7,699	1,978	4,366	1,317	6,338	14,177	458	47,930
Specific Grant Income	(6,674)	(539)	(4,371)	(4,532)	-	-	-	-	(1,235)	-	(17,351)
Income	(10)	-	(3)	(125)	(12)	-	-	(5)	(76)	-	(231)
Total Income & Grants	(6,684)	(539)	(4,374)	(4,657)	(12)	-	-	(5)	(1,311)	-	(17,582)
South Wales Police	-	-	-	(1,633)	(1,056)	(2,838)	(839)	(4,343)	(6,433)	(229)	(17,371)
Dyfed Powys Police	-	-	-	(619)	(400)	-	-	-	(3,860)	-	(4,879)
Gwent Police	-	-	-	(790)	(510)	(1,528)	(478)	(1,990)	(2,573)	(229)	(8,098)
North Wales Police	-	-	-	-	-	-	-	-	-	-	-
Force Contributions	-	-	-	(3,042)	(1,966)	(4,366)	(1,317)	(6,333)	(12,866)	(458)	(30,348)
(Surplus) or Deficit	-	-	-	-	-	-	-	-	-	-	-

2021-22												
SHARE OF SERVICE COLLABORATION	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Digital Services Division	Joint Legal Services	Scientific Investigation Unit	Joint Firearms Unit	Joint Procurement	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)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Population	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure												
South Wales Police	3,114	241	1,035	4,754	1,308	2,929	926	4,456	7,725	301	26,789	42.48%
Dyfed Powys Police	1,210	94	402	1,848	495	-	-	-	4,635	-	8,684	16.48%
Gwent Police	1,385	107	461	2,114	633	1,577	463	2,042	3,090	300	12,172	18.85%
North Wales Police	1,628	126	2,308	-	-	-	-	-	-	-	4,062	22.19%
	7,337	568	4,206	8,716	2,436	4,506	1,389	6,498	15,450	601	51,707	
Total Income & Grants												
South Wales Police	(3,114)	(241)	(1,035)	(2,774)	(25)	-	-	(5)	(809)	-	(8,003)	42.48%
Dyfed Powys Police	(1,210)	(94)	(402)	(1,078)	(9)	-	-	-	(486)	-	(3,279)	16.48%
Gwent Police	(1,385)	(107)	(461)	(1,234)	(12)	-	-	(2)	(324)	-	(3,525)	18.85%
North Wales Police	(1,628)	(126)	(2,308)	-	-	-	-	-	-	-	(4,062)	22.19%
	(7,337)	(568)	(4,206)	(5,086)	(46)	-	-	(7)	(1,619)	-	(18,869)	

2020-21												
SHARE OF SERVICE COLLABORATION	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Digital Services Division	Joint Legal Services	Scientific Investigation Unit	Joint Firearms Unit	Joint Procurement	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)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Population	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure												
South Wales Police	2,839	229	1,065	4,204	1,062	2,838	879	4,347	7,088	229	24,780	42.38%
Dyfed Powys Police	1,102	89	413	1,631	402	-	-	-	4,253	-	7,890	16.54%
Gwent Police	1,260	102	472	1,865	514	1,528	439	1,991	2,835	229	11,235	18.81%
North Wales Police	1,483	120	2,424	-	-	-	-	-	-	-	4,027	22.28%
	6,684	540	4,374	7,700	1,978	4,366	1,318	6,338	14,176	458	47,932	
Total Income & Grants												
South Wales Police	(2,839)	(229)	(1,065)	(2,543)	(7)	-	-	(3)	(655)	-	(7,341)	42.38%
Dyfed Powys Police	(1,102)	(89)	(413)	(986)	(2)	-	-	-	(393)	-	(2,985)	16.54%
Gwent Police	(1,260)	(102)	(472)	(1,128)	(3)	-	-	(2)	(262)	-	(3,229)	18.81%
North Wales Police	(1,483)	(120)	(2,424)	-	-	-	-	-	-	-	(4,027)	22.28%
	(6,684)	(540)	(4,374)	(4,657)	(12)	-	-	(5)	(1,310)	-	(17,582)	

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 property, plant or equipment 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.

GLOSSARY OF TERMS

CASH FLOW STATEMENT

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

The comprehensive income and expenditure 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.

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.

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.

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.

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.

EARMARKED REVENUE RESERVES

These are used to fund future revenue expenditure on specific projects that had not been fully finished in the current financial year.

IMPAIRMENT

A reduction in the value of a property, plant or equipment or financial instrument, 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.

GLOSSARY OF TERMS

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.

MOVEMENT IN RESERVES STATEMENT (MIRS)

This shows the movement from the start of the year to the end of the year on different reserves identified as usable and unusable reserves.

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.

PAST SERVICE COST (PENSIONS)

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

POLICE FUND

This reserve is maintained to meet exceptional and unforeseen expenditure.

POLICE GRANT

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

POLICE CAPITAL GRANT

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

PRECEPT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

GLOSSARY OF TERMS

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.

SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES (SDPS)

The total operating costs of providing the services of South Wales Police / The Commissioner. It can be found in the Comprehensive Income & Expenditure Statement before the application of gains and losses based on changes in market valuations, interest rates and actuarial measurement assumptions.

TEMPORARY BORROWING/ INVESTMENT

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