

**THE POLICE AND CRIME COMMISSIONER
FOR SOUTH WALES**

STATEMENT OF ACCOUNTS 2021-22

(GROUP ACCOUNTS)

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**CHIEF FINANCIAL OFFICER to the
POLICE AND CRIME COMMISSIONER**



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towards a safer South Wales

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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 Police and Crime Commissioner 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 Audit 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 Commissioner, Chief Constable and Chief Finance Officers during the production and approval of the Statement of Accounts.
- Expenditure and Funding Analysis
Shows how annual expenditure is used and funded from resources (Government grants, council tax and business rates) in comparison with those resources consumed or earned. It

also shows how this expenditure is allocated for decision making purposes between the various services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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

- 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.
- Movement in Reserves Statement
Analyses movements in reserves (and together with note 16 Adjustments between Accounting Basis and Funding Basis under Regulations) provides a reconciliation between funding and the cost of policing services shown in the Comprehensive Income and Expenditure Statement (CIES).
- Balance Sheet
The balance sheet sets out the assets, liabilities and reserves held as at 31 March 2022.
- Cash Flow Statement
This sets out the changes in cash and cash equivalents during the financial year.
- 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.

Summary Financial Position

The following summary provides an overview of the financial position and performance of South Wales Police for the year ending 31 March 2022.

Revenue Expenditure and Funding

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 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. Note 7 Transfers to/from Earmarked Reserves in the Statement of Accounts provides more information on this.

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.

Capital Finance & Borrowing

Capital expenditure for the period was £30.2m. This was financed by reserves, specific grants, capital receipts and revenue contributions. There was capital expenditure of £17.1m that was financed through borrowing in 2021-22. The table below summarises where the capital spend took place.

	2021-22 %	2021-22 £M	2020-21 %	2020-21 £M
Property	64.7%	19.5	71.4%	22.4
Vehicles	7.9%	2.4	11.1%	3.5
Computer, Communications and Equipment	27.4%	8.3	17.5%	5.5
Total	100.0%	30.2	100.0%	31.3

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

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

Balance Sheet

The table below is a summary of the Police and Crime Commissioner Group's Balance Sheet as at 31 March 2022. It summarises the Group's assets, liabilities and reserves.

	2021-22 £M	2020-21 £M
Tangible Assets (Property, Vehicles, Computer Systems and Equipment)	193.8	172.4
Intangible Assets (Computer Software)	2.1	1.7
Stocks	1.9	1.4
Debtors (Money Owed to SWP)	43.0	36.2
Creditors (Money Owed by SWP)	(42.7)	(34.9)
Investments, Cash and Cash Equivalent	35.5	32.0
Provisions	(3.6)	(3.8)
Long Term Borrowing	(32.6)	(23.8)
Other Long term Liabilities	(3,961.4)	(3,968.6)
Less Unusable Reserves	3,812.0	3,823.3
Total Assets less Liabilities	48.0	35.9
Financed by:		
Usable Reserves	(48.0)	(35.9)
	(48.0)	(35.9)

Pensions Liability

Actuarial Valuations

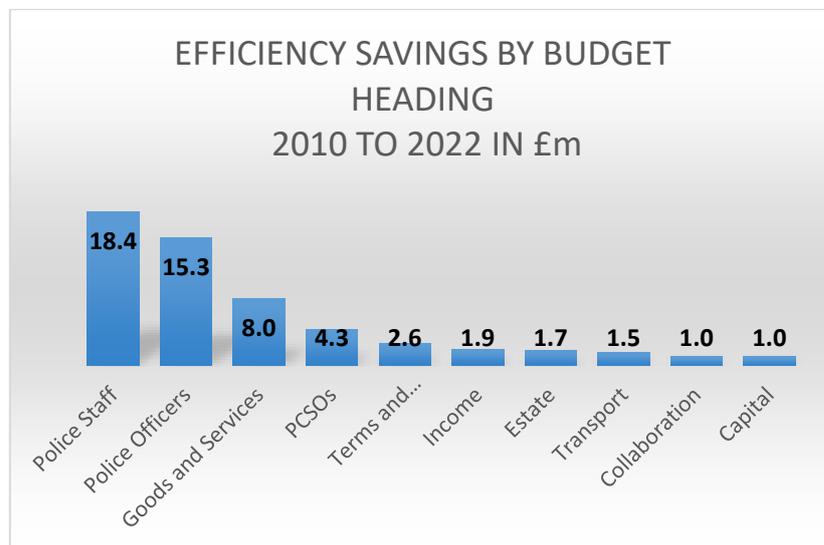
The Government Actuary's Department calculate the potential liability of the Police schemes based on Actuarial review, using Pension and Payroll data. This estimated liability increased over the year from £3.747bn to £3.795bn as at 31 March 2022, an increase of 1.3%, this was mainly attributed to changes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

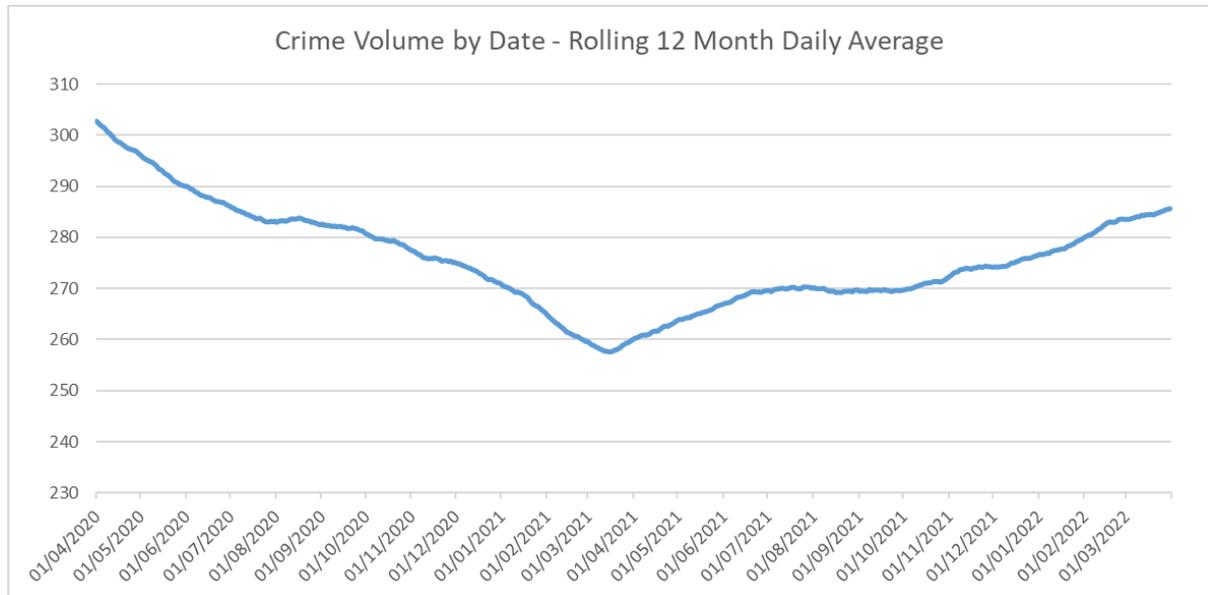
Covid-19 has had a significant impact on the national economy, health, livelihoods and businesses across both public and private sector. However, the foresight in investment in technology and agile working enabled South Wales Police to respond quickly to social distancing and public safety rules and 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.

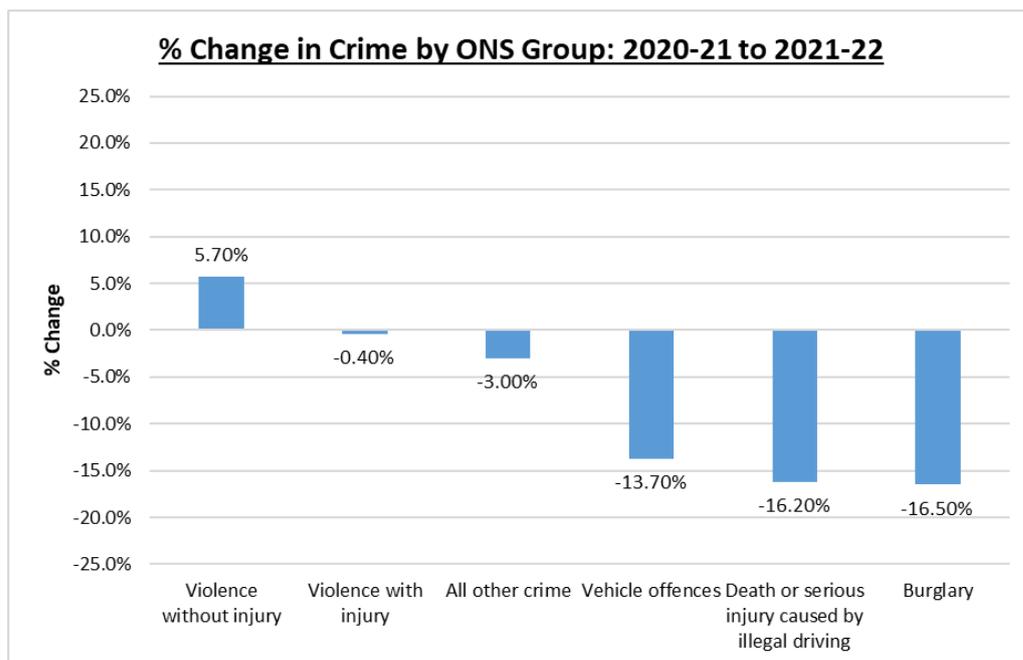
Recorded Crime

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.



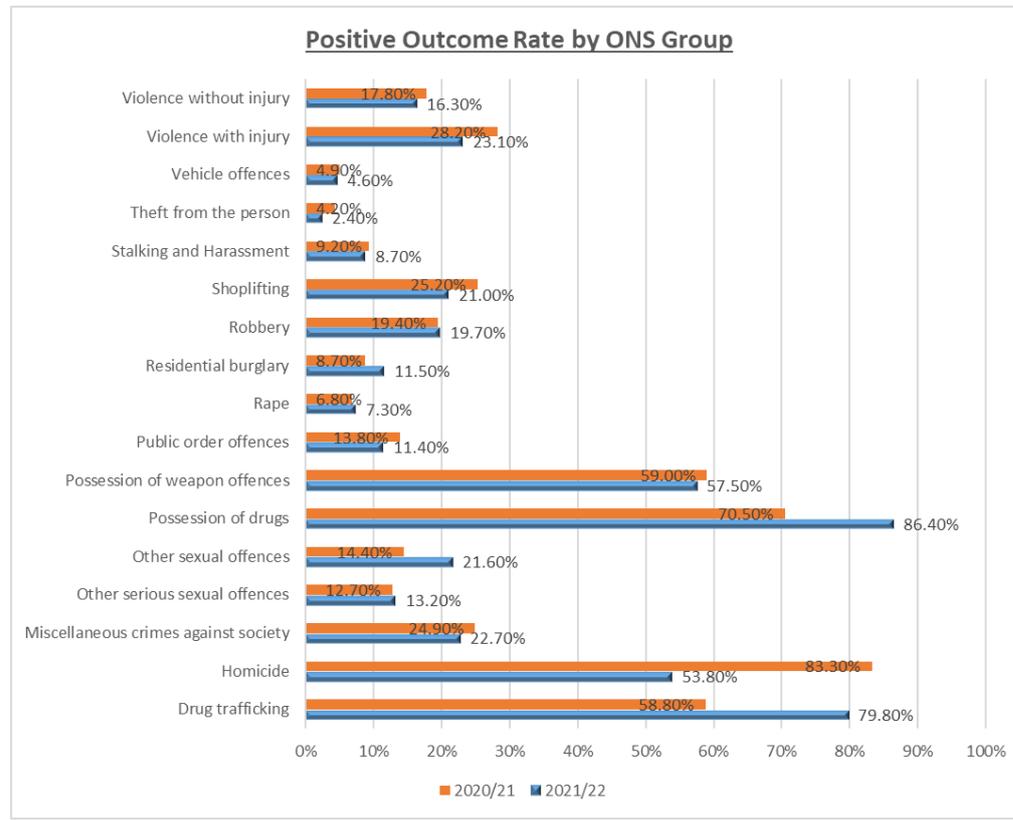
Recorded Crime – Year On Year % Change

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 below 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. The overdue overhaul of the Police Funding Formula has at last commenced. The formula is both opaque and out-of-date as has been widely recognised for several years by successive Governments. South Wales Police has lost around £111 million since 2010-11 due to the funding inequalities that the formula produces. Significant sums have been redistributed from South Wales to other Welsh forces in this period. Previous Comprehensive Spending Reviews have required the delivery of significant financial "efficiencies" and budget reductions. Since austerity started in 2010-11, South Wales Police has had to deliver £56 million of cumulative savings to produce balanced budgets in each year over the period. The ongoing uncertainty over the implications of the UK leaving the European Union, with consequential trade deal could have a significant impact upon inflation and interest rates and the exchange rate. All of these could have adverse implications on the budgeted expenditure outlined in the Financial Strategy.

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 Government funding of £11.7 million. In order to achieve a balanced budget for the year, this gap needed to be fully addressed by a combination of Precept increase and savings. For South Wales this meant the Commissioner proposing an increase in Band D Precept of 5% with savings of £4.5m to be found in-year in order to fully bridge the gap and balance the budget. This was approved by the Police & Crime Panel in February 2022. In addition, the provisional settlements for 2023-24 and 2024-25 would indicate similar flat cash settlements, which will necessitate further savings to be made in these years.

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 agreed the Mission (Keeping South Wales Safe) and the Vision (being the best at understanding and responding to the needs of our communities). The Commissioner has established an effective governance process to secure continuous improvements in service delivery and sound financial management. The Commissioner and the Chief Constable are independently assessed on the delivery of value for money by both HMICFRS and the Audit 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 produced an updated Police and Crime Plan 2022-26 shortly thereafter which was approved by the Police and Crime Panel. The Chief Constable's Delivery Plan sets out how South Wales Police will deliver the key objectives contained in the Commissioner's Police & Crime Plan.

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

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

The Annual Budget provides the resources needed in the 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.

PETER CURRAN

Chief Finance Officer

Dated: 29 September 2022

THE INDEPENDENT AUDITOR'S REPORT OF THE AUDITOR GENERAL FOR WALES TO POLICE AND CRIME COMMISSIONER FOR SOUTH WALES

Opinion on financial statements

I have audited the financial statements of:

- Police and Crime Commissioner for South Wales;
- Police and Crime Commissioner for South Wales Group which comprise the Police and Crime Commissioner for South Wales and the Chief Constable of South Wales Police
- South Wales Police Pension Fund

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

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

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

The South Wales Police Pension Fund financial statements comprise the Fund Account and 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 Police and Crime Commissioner for South Wales, the Police and Crime Commissioner for South Wales Group and the South Wales Police Pension Fund as at 31 March 2022 and of its 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 Police and Crime Commissioner for South Wales and the Police and Crime Commissioner for Wales' Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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 Police and Crime Commissioner for South Wales, the Police and Crime Commissioner for South Wales Group 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 Police and Crime Commissioner for South Wales, the Police and Crime Commissioner for South Wales Group 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, including the Police and Crime Commissioner for South Wales' Group financial statements 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 Police and Crime Commissioner for South Wales, the Police and Crime Commissioner for South Wales Group 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 Police and Crime Commissioner for South Wales and his head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Police and Crime Commissioner for South Wales, the Police and Crime Commissioner for South Wales Group 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 Police and Crime Commissioner for South Wales, the Police and Crime Commissioner for South Wales Group and the South Wales Police Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Police and Crime Commissioner for South Wales and the Police and Crime Commissioner for South Wales Group 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 Police and Crime Commissioner for South Wales, the Police and Crime Commissioner for South Wales Group 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 Police and Crime Commissioner for South Wales, the Police and Crime Commissioner for South Wales Group 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 Police and Crime Commissioner for South Wales, the Police and Crime Commissioner for South Wales Group 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
Date: 29 September 2022

24 Cathedral Road
Cardiff
CF11 9LJ

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS 2021-22

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is required to:

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

I certify the approval of this Statement of Accounts.

Signed:

Dated: 29 September 2022

Rt Hon ALUN MICHAEL JP FRSA
The Police and Crime Commissioner 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: 29 September 2022

PETER CURRAN FCPFA
Chief Finance Officer

FINANCIAL STATEMENTS 2021-22



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FINANCIAL STATEMENTS

Expenditure and Funding Analysis (Group)

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

2021-22				2020-21		
Net Expenditure Chargeable to the Police Fund £000	Adjustments between Funding Basis and Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the Police Fund £000	Adjustments between Funding Basis and Accounting Basis £000	Net Expenditure in the CIES £000
160,439	48,386	208,825	Police Officer Pay & Pensions	154,243	35,462	189,705
64,008	16,594	80,602	Police Staff Pay	61,133	8,389	69,522
11,412	225	11,637	Devolved Budgets	8,613	193	8,806
30,273	3,157	33,430	Force/Contingency Budgets	27,456	922	28,378
14,070	(4,059)	10,011	Centralised Budgets	12,782	(3,168)	9,614
11,890	(7,900)	3,990	Externally Funded Budgets	498	(1,685)	(1,187)
20,733	6,680	27,413	Collaborative Budgets	19,459	2,321	21,780
(3,602)	12,785	9,183	Central Budgets	7,751	708	8,459
			Office of the Police and Crime Commissioner			
6,888	(6,888)	0	Commissioner	6,593	(6,593)	0
316,111	68,980	385,091	Net Cost of services	298,528	36,549	335,077
(328,147)	39,910	(288,237)	Other Income and Expenditure	(308,904)	42,406	(266,498)
			Net (Increase)/Decrease in Reserves before reserve transfers			
(12,036)	108,890	96,854		(10,376)	78,955	68,579
11,788			Transfers to/(from) Earmarked Reserves	10,200		
(248)			(Surplus)/Deficit for the year	(176)		
(10,083)			Police Fund Balance at 1 April	(9,907)		
(248)			(Surplus)/Deficit for the year	(176)		
(10,331)			Police Fund Balance at 31 March	(10,083)		

Comprehensive Income and Expenditure Statement (CIES) - Group

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local Government Bodies raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (MIRS).

	Note	Group 2021-22			Group 2020-21		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Officer Pay & Pensions		208,825	0	208,825	189,704	0	189,704
Police Staff Pay & Pensions		80,602	0	80,602	69,523	0	69,523
Devolved Budgets		13,000	(1,363)	11,637	9,788	(982)	8,806
Force/Contingency Budgets		38,100	(4,670)	33,430	33,651	(5,273)	28,378
Centralised Budgets		10,011	0	10,011	9,614	0	9,614
Externally Funded Budgets		28,048	(24,058)	3,990	23,874	(25,061)	(1,187)
Collaborative Budgets		40,987	(13,574)	27,413	35,694	(13,913)	21,781
Central Budgets		12,982	(3,799)	9,183	11,444	(2,985)	8,459
Police Services		432,555	(47,464)	385,091	383,292	(48,214)	335,078
Corporate and Democratic Core		2,867	(76)	2,791	2,797	(54)	2,743
Commissioned Services (including Community Safety Fund Expenditure)		11,820	(7,317)	4,503	11,109	(6,421)	4,688
Non Distributed Costs:							
- Retirement Benefits Past Service Cost		80	0	80	0	0	0
- Other Non Distributed Costs including Termination Benefits - voluntary retirement		41	0	41	0	0	0
Cost of Services	10	447,363	(54,857)	392,506	397,198	(54,689)	342,509
Other operating Expenditure							
- (Gain)/losses on disposal of non current assets		340	0	340	143	0	143
Financing and investment income and expenditure	8	80,240	(47,930)	32,310	79,739	(44,583)	35,156
Taxation and non-specific grant income	9	0	(328,302)	(328,302)	0	(309,229)	(309,229)
(Surplus)/deficit on Provision of Services		527,943	(431,089)	96,854	477,080	(408,501)	68,579
(Surplus) or deficit on revaluation of non current assets				(3,552)			(2,122)
Actuarial (gains)/losses on pension assets/liabilities				(116,600)			368,090
Other Comprehensive (Income) and Expenditure				(120,152)			365,968
Total Comprehensive (Income) and Expenditure				(23,298)			434,547

The above table shows the Group position with the statements for both the Police and Crime Commissioner and the Chief Constable separately identified in the following tables.

Comprehensive Income and Expenditure Statement (CIES) – Police and Crime Commissioner

	Note	Police and Crime Commissioner 2021-22			Police and Crime Commissioner 2020-21		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Police Officer Pay & Pensions		0	0	0	0	0	0
Police Staff Pay & Pensions		0	0	0	0	0	0
Devolved Budgets		0	(1,363)	(1,363)	0	(982)	(982)
Force/Contingency Budgets		0	(4,670)	(4,670)	0	(5,273)	(5,273)
Centralised Budgets		0	0	0	0	0	0
Externally Funded Budgets		0	(24,058)	(24,058)	0	(25,061)	(25,061)
Collaborative Budgets		0	(13,574)	(13,574)	0	(13,913)	(13,913)
Central Budgets		0	(3,799)	(3,799)	0	(2,985)	(2,985)
Police Services		0	(47,464)	(47,464)	0	(48,214)	(48,214)
Corporate and Democratic Core		2,867	(76)	2,791	2,797	(54)	2,743
Commissioned Services (including Community Safety Fund Expenditure)		11,820	(7,317)	4,503	11,109	(6,421)	4,688
Non Distributed Costs:							
- Retirement Benefits Past Service Cost		0	0	0	0	0	0
- Other Non Distributed Costs including Termination Benefits - voluntary retirement		41	0	41	0	0	0
Cost of Services		14,728	(54,857)	(40,129)	13,906	(54,689)	(40,783)
Other operating Expenditure							
- (Gain)/losses on disposal of non current assets		340	0	340	143	0	143
Financing and investment income and expenditure	8	823	(47,930)	(47,107)	840	(44,583)	(43,743)
Taxation and non-specific grant income	9		(328,302)	(328,302)		(309,229)	(309,229)
Commissioning Costs (intra-group transfer)		512,052	0	512,052	462,191	0	462,191
(Surplus)/deficit on Provision of Services		527,943	(431,089)	96,854	477,080	(408,501)	68,579
(Surplus) or deficit on revaluation of non current assets				(3,552)			(2,122)
Actuarial (gains)/losses on pension assets/liabilities				(1,556)			676
Other Accounting Adjustments due to restatements				0			0
Commissioning Costs (intra-group transfer)				(115,044)			367,414
Other Comprehensive (Income) and Expenditure				(120,152)			365,968
Total Comprehensive (Income) and Expenditure				(23,298)			434,547

Comprehensive Income and Expenditure Statement (CIES) – Chief Constable

	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 & Pensions	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	12,982	0	12,982	11,444	0	11,444
Police Services	432,555	0	432,555	383,292	0	383,292
Non Distributed Costs:						
- Retirement Benefits Past Service Cost	80	0	80	0	0	0
Cost of Services	432,635	0	432,635	383,292	0	383,292
Other operating Expenditure						
- Levies to national police services			0	0	0	0
Financing and investment income and expenditure	79,417		79,417	78,899	0	78,899
Taxation and non-specific grant income	0		0	0	0	0
Commissioning Costs (intra-group transfer)	(512,052)		(512,052)	(462,191)	0	(462,191)
(Surplus)/deficit on Provision of Services	0	0	0	0	0	0
Actuarial (gains)/losses on pension assets/liabilities			(115,044)			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

Movement in Reserves Statement (MIRS)

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

	Note	Police Fund Balance £000	Earmarked Police Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2021 brought forward		(10,083)	(25,830)	0	(35,913)	3,823,279	3,787,366
Movement in reserves during 2021-22							
(Surplus)/deficit on provision of services		96,854	0	0	96,854	0	96,854
Other comprehensive income and expenditure		0	0	0	0	(120,152)	(120,152)
Total comprehensive income and expenditure		96,854	0	0	96,854	(120,152)	(23,298)
Adjustments between accounting basis & funding basis under regulations	16	(108,890)	0	648	(108,242)	108,242	0
Net (increase)/decrease before transfers to earmarked reserves		(12,036)	0	648	(11,388)	(11,910)	(23,298)
Transfers (to)/from Earmarked Reserves	7	11,788	(11,788)	(648)	(648)	648	0
(Increase)/decrease movement in year		(248)	(11,788)	0	(12,036)	(11,262)	(23,298)
Balance at 31 March 2022 carried forward		(10,331)	(37,618)	0	(47,949)	3,812,017	3,764,068

	Note	Police Fund Balance £000	Earmarked Police Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2020 brought forward		(9,907)	(15,630)	0	(25,537)	3,378,356	3,352,819
Movement in reserves during 2020-21							
(Surplus)/deficit on provision of services		68,579	0	0	68,579	0	68,579
Other comprehensive income and expenditure		0	0	0	0	365,968	365,968
Total comprehensive income and expenditure	16	68,579	0	0	68,579	365,968	434,547
Adjustments between accounting basis & funding basis under regulations		(78,955)	0	233	(78,722)	78,722	0
Net (increase)/decrease before transfers to earmarked reserves		(10,376)	0	233	(10,143)	444,690	434,547
Transfers (to)/from Earmarked Reserves	7	10,200	(10,200)	(233)	(233)	233	0
(Increase)/decrease movement in year		(176)	(10,200)	0	(10,376)	444,923	434,547
Balance at 31 March 2021 carried forward		(10,083)	(25,830)	0	(35,913)	3,823,279	3,787,366

Balance Sheet

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

The first are usable reserves, (i.e. those reserves that it may use to provide services), subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are unusable, i.e. they cannot be used to provide services. This category includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' (e.g. Pension deficits).

	Note	31 March 2022			31 March 2021		
		Group £000	Police and Crime Commissioner £000	Chief Constable £000	Group £000	Police and Crime Commissioner £000	Chief Constable £000
Property, Plant & Equipment	17	193,814	193,814	0	172,396	172,396	0
Intangible Assets	17	2,114	2,114	0	1,662	1,662	0
Long Term Debtors - intra-group transfer		excluded on consolidation for group	0	3,958,395	excluded on consolidation for group	0	3,964,891
Long term Assets		195,928	195,928	3,958,395	174,058	174,058	3,964,891
Short Term Investments	22	16,008	16,008	0	0	0	0
Assets held for sale (<1yr)	20	185	185	0	114	114	0
Inventories		1,894	0	1,894	1,431	0	1,431
Short Term Debtors	21	42,755	42,755	0	36,134	36,134	0
Debtors - intra-group working capital		0	(34,492)	34,492	0	(27,141)	27,141
Cash and Cash Equivalents	22	19,532	19,532	0	31,973	31,973	0
Current Assets		80,374	43,988	36,386	69,652	41,080	28,572
Short Term Borrowing		(1,349)	(1,349)	0	(1,453)	(1,453)	0
Short Term Creditors	23	(41,330)	(4,944)	(36,386)	(33,427)	(4,855)	(28,572)
Current Liabilities		(42,679)	(6,293)	(36,386)	(34,880)	(6,308)	(28,572)
Long Term Creditors - intra-group transfer		excluded on consolidation for group	(3,958,395)	0	excluded on consolidation for group	(3,964,891)	0
Provisions	24	(3,625)	(3,625)	0	(3,809)	(3,809)	0
Long Term Borrowing		(32,626)	(32,626)	0	(23,777)	(23,777)	0
Other Long Term Liabilities:							
- Local Government Pension Schemes		(166,470)	(3,045)	(163,425)	(221,490)	(3,719)	(217,771)
- Police Pension Schemes		(3,794,970)	0	(3,794,970)	(3,747,120)	0	(3,747,120)
Long Term Liabilities		(3,997,691)	(3,997,691)	(3,958,395)	(3,996,196)	(3,996,196)	(3,964,891)
Net Assets		(3,764,068)	(3,764,068)	0	(3,787,366)	(3,787,366)	0
Usable Reserves	7	(47,949)	(47,949)	0	(35,913)	(35,913)	0
Unusable reserves	25	3,812,017	3,812,017	0	3,823,279	3,823,279	0
Total Reserves		3,764,068	3,764,068	0	3,787,366	3,787,366	0

Cash Flow Statement

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

	Note	2021-22 £000	2020-21 £000
Net (surplus)/deficit on the provision of services		96,854	68,579
Adjustments to net (surplus)/deficit on the provisions of services for non-cash movements		(119,994)	(103,843)
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	30	351	122
Net cash flows from Operating Activities		(22,789)	(35,142)
Returns on Investments and Servicing of Finance		713	697
Investing Activities	31	43,263	28,013
Financing Activities	32	(8,746)	1,694
Net (increase)/decrease in cash and cash equivalents		12,441	(4,738)
Cash and cash equivalents at the beginning of the reporting period		31,973	27,235
Cash and cash equivalents at the end of the reporting period	22	19,532	31,973

Police Pension Fund Account

Police Scheme	Restated	
	2021-22 £000	2020-21 £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
Net Asset Statement		
Net current assets and liabilities		
Current assets		
Debtor - net balances owed from the Police Fund	16,870	12,313
Bank balance	0	145
Current liabilities		
Creditor - benefits payable to retiring officers end of March paid April	(2,961)	(1,529)
Creditor - net balances owed to Police Fund	(13,909)	(10,929)

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 31 July 2021 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 26 below.

NOTES TO THE FINANCIAL STATEMENTS



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Note 1 Accounting Policies

General Principles

The general principles and practices adopted in compiling these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). Reference is made to the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code) based on International Financial Reporting Standards (IFRS).

The Code sets out the proper accounting practices as required by section 21(2) of the Local Government Act 2003 and the Accounts and Audit Regulations 2014 as amended.

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

Accruals of income and expenditure

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

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

The Police & Crime Commissioner's Team

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

Cash and cash equivalents

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

Contingent liabilities

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

Contingent assets

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

Employee benefits

Benefits Payable during Employment

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the Police Fund balance to be charged with the amount payable to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the

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

Post-Employment Benefits

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

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

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

Events after the reporting period

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

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

Exceptional items and prior period adjustments

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

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

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

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

Financial instruments

Financial Liabilities

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

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

Financial Assets – Deposits, Loans and Receivables

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

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

Foreign currency translation

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

Government grants and other contributions

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

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

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

Intangible assets

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

Inventories and long-term contracts

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

Joint arrangements - Accounting for the consolidation of joint arrangements

Where the Commissioner/ 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. IFRS 11 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.

Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

Capital receipts in excess of £10,000, after initial recognition in the Comprehensive Income and Expenditure Statement, are taken to the Capital Receipts Reserve and can only be used for capital investments or debt redemption with receipts less than £10,000 being kept in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

The Code in summary prescribes the following bases for measuring classes of property, plant and equipment:

Separate valuations for land and buildings and any components.

Inclusion of an estimate of the remaining useful life of the building and any components.

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

- Assets Under Construction – Historic Cost;
- Other land and buildings - Current value based on 'Market Value' (MV), existing use (EUV) or Depreciated Replacement Cost (DRC);
- Where there is no market based evidence of current value, because of the specialist nature of the asset and the asset is rarely sold, this is estimated using a depreciated replacement cost approach;
- Vehicles, plant, furniture and equipment - DRC if EUV cannot be determined;
- Surplus Assets - Fair Value based on existing use (EUV);
- Assets held for sale - measured at the lower of carrying amount and fair value less costs to sell, and depreciation on those assets should cease; and
- Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. External valuations are contracted out to Avison Young (UK) Ltd. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.
- Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The effective date of valuations for the following asset categories are as follows:

- Land and buildings: Valuations for the Cardiff and the Vale assets were undertaken in 2021-22;
- Vehicles, plant and equipment: annual reviews, resulting from respective asset management functions facilitated by internal departments including Fleet Management and Information Systems for computer and other technology systems.

Impairment

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

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

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

Depreciation

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

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

- Land where it can be demonstrated that the asset has an unlimited useful life;
- Investment properties;
- Assets under construction until available for use;
- Assets classified as held for sale (i.e. surplus or derecognised); and
- Assets are held at their estimated residual value.

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

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

The following bases are used:

Land and buildings

Land values are not depreciated, buildings with asset values exceeding a threshold of £2.5m are considered for separation into their component parts. This threshold captures most of the main higher valued operational properties, effectively covering about 80% in terms of total building asset values.

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

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

Vehicles

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

Computer Hardware

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

Intangible – Computer Software Licences

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

Provisions

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

Reserves

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

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

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

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 issued in October 2018
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 issued in September 2019
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 issued in August 2020

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;
- Depreciation of property, plant and equipment is calculated on the basis of the assets' useful economic lives which are estimations. The useful economic lives of buildings are reviewed upon valuation;
- Numerous provisions are recorded in the Group balance sheet and annual changes in the level of provisions are charged to the Group Comprehensive Income and Expenditure Statement. Judgement takes place in determining the level of provision using factors such as the progress of legal claims against the Force and any supporting data that would allow

a reasonable estimate to be calculated. The availability of further supporting information such as Ombudsman decisions is also considered;

- Contingent Liabilities may need to be included in the notes to the accounts where the above data/information in relation to provisions is either not available or not deemed as sufficiently reliable for a reasonable provision to be calculated. Judgement is therefore needed in determining whether a contingent liability should be declared or a provision made.
- Accruals for accumulated absences are based on information from two separate sources: information on officers and rostered operational staff is taken from the force rostering system; information on all other staff is extrapolated from a representative sample as this information is not held in the force rostering system.

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. The items in the Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred. During the current economic climate, any reduction in spending of this nature may bring doubt into the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets will fall.
- 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	
Pensions Liability - Police (Information from Actuary)			
Sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions:			
Change in assumption*		Impact on Defined Benefit Obligation	
		%	£ million
Rate of discounting scheme liabilities	+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 actual impact may be different from simply combining the changes above.			
The weighted average duration of the defined benefit obligation is around 21 years for all schemes combined.			
Pensions Liability - LGPS (Information from Actuary)			
The results shown in the report are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 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.			
Change in assumption*		Impact on Defined Benefit Obligation	
		%	£ million
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 date.

NOTES TO THE EXPENDITURE & FUNDING ANALYSIS STATEMENT



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Note 6 Note to the Expenditure and Funding Analysis

2021-22				Adjustments to Police Fund to arrive at Comprehensive Income and Expenditure Statement amounts	2020-21			
Adjustments for Capital Purposes £000	Pension Adjustments £000	Other Differences £000	Total £000		Adjustments for Capital Purposes £000	Pension Adjustments £000	Other Differences £000	Total £000
0	46,106	2,280	48,386	Police Officer Pay & Pensions	0	33,645	1,817	35,462
0	16,800	(206)	16,594	Police Staff Pay	0	8,479	(90)	8,389
(17)	0	242	225	Devolved Budgets	(10)	0	203	193
(4,986)	601	7,542	3,157	Force/Contingency Budgets	(5,837)	353	6,406	922
0	0	(4,059)	(4,059)	Centralised Budgets	0	0	(3,168)	(3,168)
(352)	4,585	(12,133)	(7,900)	Externally Funded Budgets	(654)	2,720	(3,751)	(1,685)
(915)	9,163	(1,568)	6,680	Collaborative Budgets	(930)	5,551	(2,300)	2,321
2,575	0	10,210	12,785	Central Budgets	(1,294)	0	1,952	658
0	498	(7,386)	(6,888)	Office of the Police and Crime Commissioner	0	262	(6,593)	(6,331)
(3,695)	77,753	(5,078)	68,980	Net Cost of services	(8,725)	51,010	(5,524)	36,761
340	31,677	7,893	39,910	Other Income and Expenditure	143	34,460	7,591	42,194
(3,355)	109,430	2,815	108,890	Difference between Police Fund (Surplus)/deficit and Comprehensive Income and Expenditure Statements (Surplus)/Deficit on Provision of Services	(8,582)	85,470	2,067	78,955

Adjustments for Capital Purposes

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

Adjustments for Pensions

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

Adjustments for Other Differences

These include adjustments through the accumulated absence reserve.

NOTES TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT



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Note 7 Transfers to/ from Earmarked Reserves

This note sets out the amounts set aside from the Police Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Police Fund expenditure in 2021-22.

	Restated Balance at 31 March 2020 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2021 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2022 £000
Earmarked Revenue Reserves							
Health and Wellbeing Reserve	(1,340)	134	0	(1,206)	260		(946)
Partnership Fund/PCC's General Reserve	(1,300)	1,129	(1,371)	(1,542)	821	(1,094)	(1,815)
Commissioner - Ring fenced Funding	(488)	476	(56)	(68)	68		0
SWP ROCU/RTF reserve	(195)	0	0	(195)		(359)	(554)
Other Specific Reserves under £150,000	(423)	211	(434)	(646)	278	(1,040)	(1,408)
SWP JSIU reserve	(75)	0	(35)	(110)	110		0
Regional Incentivisation	(405)	0	(231)	(636)	30	(296)	(902)
Information Systems - Various	(709)	639	(427)	(497)	347	(30)	(180)
Officer Safety Equipment	0	0	(500)	(500)	741	(600)	(359)
Civil Contingencies Coordinator	0	0	(108)	(108)	108		0
PCSO Uniform, Equipment & Technology	0	0	(534)	(534)	534		0
Operational Policing	(250)	0	0	(250)	93	(108)	(265)
PSC Overtime	(250)	0	0	(250)			(250)
Covid-19	0	0	(1,311)	(1,311)	181		(1,130)
Training- Health & Safety & Leadership	(101)	12	(99)	(188)	188		0
Major Crime Fund	(210)	0	0	(210)		(40)	(250)
Bank Holiday Reserve	(225)	223	(600)	(602)	602	(644)	(644)
Digital Evidence Transfer	0	0	(500)	(500)	500		0
Force Tasking	0	0	(225)	(225)	307	(82)	0
Forensics Contract price increases	(31)	0	0	(31)	31	(386)	(386)
PEQF	(305)	0	(295)	(600)	400		(200)
Insurance Premiums	0	0	(700)	(700)	700		0
Go Safe Partnership	0	0	0	0		(1,234)	(1,234)
JSIU Forensic Collision Investigation	0	0	0	0		(230)	(230)
Fuel & Unbudgeted Inflation Reserve	0	0	0	0		(481)	(481)
Total Earmarked Revenue Reserves	(6,307)	2,824	(7,426)	(10,909)	6,299	(6,624)	(11,234)
Total Earmarked Capital Reserves	(9,323)	5,895	(11,493)	(14,921)	5,138	(16,601)	(26,384)
Total Earmarked Reserves	(15,630)	8,719	(18,919)	(25,830)	11,437	(23,225)	(37,618)
Police Fund	(9,907)	0	(176)	(10,083)	0	(248)	(10,331)
Total Reserves	(25,537)	8,719	(19,095)	(35,913)	11,437	(23,473)	(47,949)
Movement during the year - (increase)/decrease			(10,376)			(12,036)	

Additional information and planned future spend profile for earmarked revenue reserves

	Balance at 31 March 2022 £000	Comments	Spend Profile	
			2022-23 £000	2023-24 £000
Police Fund:				
<u>Earmarked Revenue Reserves:</u>				
Health and Wellbeing Reserve	(946)	Health and Wellbeing Strategy to transform organisational capability and address VFM gap	473	473
Partnership Fund/PCC's General Reserve	(1,815)	Top up for Partnership Fund(absorbing CSF)-maintains existing initiatives on Women's Pathfinder, enhanced case management, mental health programme, 18-25 programme and Drive.	1,815	-
SWP ROCU/RTF reserve	(554)	Regional Collaborative functions known funding gap	554	-
Other specific reserves under £150,000	(1,408)	Consolidation of individual reserves	1,408	-
Regional Incentivisation	(902)	3 Force reserve- ARIS receipts-to fund contribution to Titan (N Wales)	451	451
Information Systems (NEP, Home Office charges, misc)	(180)	National Management Centre plus increase in Home Office Charges	180	-
Officer Safety Equipment	(359)	Operational requirement to improve officer safety uniform and equipment	359	-
Operational Policing	(265)	CT contingency	265	-
PSC Overtime	(250)	To fund pressures caused by increased demand	250	-
Covid-19	(1,130)	Created from Home Office Surge funding 2020/21,reserved to fund further COVID-19 expenditure and other operational pressures	1,130	-
Major Crime Fund	(250)	Contingency for Major Crime Incidents including Category A Murders	250	-
Bank Holiday Reserve	(644)	To fund the additional cost of substitute days where a Bank Holiday falls on a weekend in 2022-23 and cover the extra Bank Holiday for the Jubilee	644	-
Forensics Contract price increases	(386)	Awaiting National contract negotiations	386	-
PEQF	(200)	Potential inflationary increase in external training provision	200	-
Go Safe Partnership	(1,234)	To fund the review and outcome	1,234	-
JSIU Forensic Collision Investigation	(230)	To support the achievement of mandatory accreditation requirements in 22-23	230	-
Fuel & Unbudgeted Inflation Reserve	(481)	To fund budget shortfall due to increase in inflation since budget setting	481	-
Total Earmarked Revenue Reserves	(11,234)	Total Spend Profile	10,310	924

Further details of the types of capital reserves and use of can be found with the Medium Term Financial Strategy for the financial year.

Note 8 Financing and investment income and expenditure

Group

	2021-22 £000	2020-21 £000
Interest payable on debt	740	779
Pension interest costs	79,500	78,960
Pensions top up grant receivable (Home office)	(47,903)	(44,500)
Investment interest income	(27)	(83)
Total	32,310	35,156

The Police and Crime Commissioner

	2021-22 £000	2020-21 £000
Interest payable on debt	740	779
Pension interest costs	83	61
Pensions top up grant receivable (Home office)	(47,903)	(44,500)
Investment interest income	(27)	(83)
Total	(47,107)	(43,743)

Note 9 Taxation and non-specific grant income

	2021-22	2020-21
	£000	£000
Capital government grants and contributions	(416)	(586)
Council tax income	(144,257)	(135,902)
Non domestic rates (Welsh Government)	(23,337)	(21,917)
Revenue Support Grant (Welsh Government)	(52,653)	(53,929)
Non ring fenced government grants (Home Office)	(107,639)	(96,895)
Total	(328,302)	(309,229)

Note 10 Amounts Reported for Resource Allocation Decisions

Subjective Analysis – Income and Expenditure

	2021-22	2020-21
	£000	£000
Fees, charges & other service income	(15,838)	(12,358)
Government grants	(39,019)	(42,331)
Total income	(54,857)	(54,689)
Employee expenses	240,438	226,754
Other operating expenses	206,925	170,444
Total cost of services	447,363	397,198
Net Cost of Services	392,506	342,509

Further details of fees, charges and other service income, as well as Government grants are detailed in the below note.

Note 11 Grant and Other Income

South Wales Police/ the Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021-22:-

		2021-22	2020-21
		£000	£000
Credited to Services	Funding body		
Police Apprenticeships	Welsh Govt	(1,000)	(1,000)
Community Support officers	Welsh Govt	(8,021)	(7,730)
Counter Terrorism Intelligence Unit	Home Office	(7,368)	(6,693)
Counter Terrorism/Firearms	Home Office	(1,344)	(1,421)
National Data Management Centre	Home Office	(5,237)	(5,308)
Regional Organised Crime Unit/Regional Intelligence Unit	Home Office	(1,726)	(1,928)
Regional Organised Crime Unit - Disruption	Home Office	(256)	(256)
Regional Organised Crime Unit - Specialist Tactics Unit	Home Office	(70)	(889)
Speed Reduction Camera Partnership Casualty Reduction	Home Office/Welsh Govt	(2,465)	(2,204)
Victim Support	Ministry of Justice	(2,490)	(1,635)
Online Sexual Abuse	Home Office	0	(246)
Adverse Childhood Experiences	Home Office	(350)	0
Dedicated Security Posts	Home Office	(746)	(764)
Tasers	Home Office	0	(205)
Safer Streets	Home Office	(1,041)	(402)
All Wales Schools Programme	Welsh Govt/Other Local Govt bodies	(1,980)	(1,980)
Criminal Records Bureau	Home Office	(646)	(564)
Counter Terrorism Security Advisors	Home Office	(568)	(539)
Police Incentivisation Fund	Home Office	(557)	(227)
Cyber Crime	Home Office	(845)	(921)
Asset Confiscation Enforcement Team	Home Office	(230)	(206)
Brexit Policing	Welsh Govt	0	(439)
Violence Against Women & Girls Drive	Home Office	(18)	0
Drive	Home Office	(200)	(200)
Additional Officer Uplift	Home Office	(2,445)	(3,798)
Female Offending Blueprint	Welsh Government	(250)	0
Drug Death Reductions	Home Office	(653)	0
Operational Support COVID 19	Home Office	0	(3,009)
Covid-19 Victims Funding	Ministry of Justice	0	(905)
Specialist Knife Crime	Home Office	(466)	(781)
Violence Prevention	Home Office	(1,339)	(1,007)
Pension Contributions Assistance Grant	Home Office	(3,106)	(3,106)
Other miscellaneous grants (less than £150,000 in Various partners)		(802)	(493)
		7,200	6,525
Total Credited to Services		(39,019)	(42,331)
Corporate Grants			
Pension top up grant	Home Office	(47,903)	(44,500)
		(47,903)	(44,500)
Total		(86,922)	(86,831)

	2021-22	2020-21
	£000	£000
Other Income		
Recovery of costs from other public bodies	(1,337)	(1,134)
Income from Secondments	(808)	(860)
Special Duty Charges	(146)	(42)
Policing the Senedd	(663)	(612)
Vehicle Recovery Scheme	(175)	(144)
Rents	(389)	(470)
Mutual Aid to other police forces	(1,393)	(155)
Police costs recovered	(8,753)	(7,216)
Training course fees	(1,238)	(727)
Partnership contributions	(3,292)	(3,649)
Sale of vehicles	(232)	(165)
Sale of accident reports	(111)	(63)
Speed awareness	(11)	(9)
Proceeds of crime income	(30)	(49)
Non-Domestic Rates Rebate	(417)	0
Other (less than £150,000 individually)	(1,005)	(459)
Notional income in respect of Covid-19 PPE	(408)	0
Less income shared with other collaborative partners	4,570	3,396
Total Credited to Services	(15,838)	(12,358)
Investment Income	(27)	(83)
Total	(15,865)	(12,441)

Note 12 Members' Allowances

In accordance with the Code, there was £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's and the Chief Constable's accounts. Members receive a taxable attendance allowance which is paid through payroll.

Note 13 External Audit Costs

South Wales Police/ the Commissioner has incurred the £105k (2020-21 £101k) covering both the Commissioner and the Chief Constable, in relation to the audit of the Statement of Accounts. The total fee is split equally between the Commissioner and Chief Constable.

Note 14 Related Parties

IAS24 requires South Wales Police/ The Commissioner 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/ The Commissioner. Disclosure of these transactions allows readers to assess the extent to which the South Wales Police/ The Commissioner 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/ The Commissioner.

Central Government

Central Government has significant influence over the general operations of South Wales Police/ The Commissioner. It is responsible for providing the statutory framework within which South Wales Police/ The Commissioner operates. It provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that South Wales Police/The Commissioner has with other parties. Note 9 above Taxation and Non Specific Grant Income

details the funding received during the financial year together with last year's comparative. Grants received from Government departments are set out in Note 11, most of which have strict terms and conditions. South Wales Police/ The Commissioner has direct control over its financial and operating policies.

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 12. 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 which are detailed in Note 11 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.

Police Crime and Commissioner

The Police Crime and Commissioner senior team has not declared any related party transactions.

A robust process is in place to approve and register the business interests of both police staff and officers. The Commissioner has a statutory responsibility to declare any interests and these are published on the website, at the following location.

People (southwalescommissioner.org.uk)

Note 15 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.

The Police and Crime Commissioner's Team

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

	2021-22	2020-21
	£	Restated £
Chief of Staff - Annualised Salary	79,368	78,561
Median	£34,578	£35,927
RATIO	2.3	2.2

For 2021-22, the Chief of Staff was not the highest paid member of staff, therefore the ratio between the highest paid Director remuneration to the median remuneration within the Police and Crime Commissioners team was:

	2021-22	2020-21
	£	Restated £
Highest Paid Director (Chief Financial Officer) - Annualised Salary	90,174	89,257
Median	£34,578	£35,927
RATIO	2.6	2.5

Chief Constable

The ratio between the Chief Constable's remuneration 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 employees and senior police officers that are recorded in the tables on pages 50-52. This is in accordance with regulations.

Group

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
	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.

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

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 either financial year.

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
	£000	£000	2021-22	2020-21	£000	£000	£000	£000
£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 Police and Crime Commissioner's Team 2021-22

Post holder information (Post title)	From	To	Salary (including fees & allowances) £	Annualised Salary £	Bonuses £	Expense allowances £	Termination Payments £	Benefits in Kind (e.g. car allowance) £	Other payments £	Total Remuneration excluding pension contributions 2021-22 £	Pension contributions (employers) £	Total Remuneration including pension contributions 2021-22 £		
										£	£	£		
Police and Crime Commissioner	Note 1	01/04/2021	31/03/2022	86,700	86,700	0	0	0	0	0	0	86,700	0	86,700
Deputy Police and Crime Commissioner	Note 2	01/04/2021	31/03/2022	0	0	0	0	0	0	0	0	0	0	0
Director of Strategy & Projects		01/04/2021	31/03/2022	55,623	55,623	0	0	0	0	0	8,900	55,623	8,900	64,523
Chief Executive (Interim)		01/04/2021	31/03/2022	79,368	79,368	0	367	0	0	0	12,699	79,368	12,699	92,434
Chief Executive (Substantive)	Note 3	01/04/2021	28/02/2022	91,175	91,175	0	0	41,101	0	77,061	11,641	209,337	11,641	220,978
Director Violence Prevention Unit		01/04/2021	31/03/2022	86,586	86,586	0	170	0	0	0	0	86,586	0	86,586
Chief Financial Officer		01/04/2021	31/03/2022	90,174	90,174	0	0	0	0	0	14,428	90,174	14,428	104,602

Note 1 No pension applicable

Note 2 The role of Deputy Police and Crime Commissioner was carried out by a secondee who is not employed by the PCC for South Wales. Total costs incurred for these services in 2021/22 was £114,545.

Note 3 Chief Executive (Substantive), who was previously seconded to the All Wales Force, left his substantive role on 28/02/22 after taking voluntary retirement

The Police and Crime Commissioner's Team 2020-21 (Restated)

	Notes	From	To	Salary (including fees & allowances) £	Annualised Salary £	Bonuses £	Expense allowances £	Compensation for loss of office £	Benefits in Kind (e.g. car allowance) £	Total Remuneration excluding pension contributions 2020-21 £	Pension contributions (employers) £	Total Remuneration including pension contributions 2020-21 £
Police and Crime Commissioner	Note 1	01/04/2020	31/03/2021	86,700	86,700	0	0	0	0	86,700	0	86,700
Deputy Police and Crime Commissioner	Note 2	01/04/2020	31/03/2021	0	0	0	0	0	0	0	0	0
Director of Strategy & Projects		01/04/2020	31/03/2021	64,972	54,277	0	0	0	0	64,972	9,442	74,414
Chief Executive (Interim)		01/04/2020	31/03/2021	78,561	78,561	0	0	0	0	78,561	12,570	91,131
Chief Executive (Substantive)	Note 3	01/04/2020	31/03/2021	78,561	78,561	0	109	0	0	78,670	12,570	91,240
Director Violence Prevention Unit		01/04/2020	31/03/2021	83,533	83,533	0	100	0	0	83,633	0	83,633
Chief Financial Officer *		01/04/2020	31/03/2021	89,257	89,257	0	720	0	0	89,977	14,281	104,258

Note 1 No pension applicable

Note 2 The role of Deputy Police and Crime Commissioner was carried out by a secondee who is not employed by the PCC for South Wales. Total costs incurred for these services in 2020/21 was £107,411.

Note 3 Seconded to All Wales Force

* The Chief Financial Officer for the Police and Crime Commissioner's team has had a part time secondment to Blue Light Commercial from October 2020 to March 2021 and as a result £22k of his salary reimbursed.

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	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

NOTES TO THE MOVEMENT IN RESERVES STATEMENT



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Note 16 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

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

- **Police Fund Balance**

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

- **Capital Receipts Reserve**

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

Note 16 Adjustments between Accounting Basis and Funding Basis under Regulations (Continued)

	Police Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000
2021-22				
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(9,877)		(9,877)	9,877
Revenue Expenditure Funded from Capital under Statute	(273)		(273)	273
Revaluation losses on Property, Plant and Equipment	69		69	(69)
Amortisation of intangible assets	(761)		(761)	761
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(340)		(340)	340
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,237		2,237	(2,237)
Capital expenditure charged against the Police Fund	12,455		12,455	(12,455)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		648	648	(648)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(206,610)		(206,610)	206,610
Employer's pension contributions and direct payments to pensioners payable in the year	97,181		97,181	(97,181)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,374)		(2,374)	2,374
Adjustments primarily involving the Collaboration Account:	(597)		(597)	597
Total Adjustments	(108,890)	648	(108,242)	108,242

2020-21	Police Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(9,278)		(9,278)	9,278
Revenue Expenditure Funded from Capital under Statute	(316)		(316)	316
Revaluation losses on Property, Plant and Equipment	596		596	(596)
Amortisation of intangible assets	(914)		(914)	914
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(143)		(143)	143
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,237		2,237	(2,237)
Capital expenditure charged against the Police Fund	16,725		16,725	(16,725)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		233	233	(233)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(179,200)		(179,200)	179,200
Employer's pension contributions and direct payments to pensioners payable in the year	93,730		93,730	(93,730)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,439)		(2,439)	2,439
Adjustments primarily involving the Collaboration Account:	47		47	(47)
Total Adjustments	(78,955)	233	(78,722)	78,722

NOTES TO THE BALANCE SHEET



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Note 17 Property, Plant and Equipment & Intangible Assets

Property, Plant and Equipment							Intangible Assets £000	Assets held for sale £000	Total Fixed Assets £000
	Other land & buildings £000	Vehicles £000	Information Systems & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total PP&E £000			
Movements on balances in 2021-22									
Cost or Valuation									
At 1 April 2021	126,215	15,744	33,057	390	24,117	199,523	6,273	114	205,910
Prior Year Adjustments to Opening Balances	0	2	9	0	(2)	9	0	1	10
*Additions - capital	980	2,400	7,179	0	18,221	28,780	1,168	0	29,948
Accumulated Depreciation and Impairment written to Gross Carrying Amount	(4,635)	0	0	(26)	0	(4,661)	0	0	(4,661)
Revaluation (decreases)/increases to Revaluation Reserve	5,896	0	0	38	0	5,934	0	0	5,934
Revaluation (decrease)/increase or impairments to Surplus/Deficit on Provision of Services including non-enhancing spend	(22)	0	0	160	0	138	0	0	138
Derecognition - disposals	(845)	(925)	(2,125)	0	0	(3,895)	0		(3,895)
Reclassified to/from Held for Sale	(70)	0	0	0	0	(70)	0	70	0
Reclassifications to Other Categories	0	0	(44)	0	0	(44)	44	0	0
Reclassification to/from Assets Under Construction	1,491	0	0	0	(1,491)	0	0	0	0
At 31 March 2022	129,010	17,221	38,076	562	40,845	225,714	7,485	185	233,384
Depreciation and Impairment									
At 1 April 2021	0	(6,635)	(20,492)	0	0	(27,127)	(4,611)	0	(31,738)
Prior Year Adjustments to Opening Balances	0	1	5	0	0	6	1		7
Depreciation charge	(3,328)	(1,728)	(4,758)	(63)	0	(9,877)	(761)	0	(10,638)
Impairment losses recognised in SDPS	(69)	0	0	0	0	(69)	0	0	(69)
Impairment losses recognised in Revaluation Reserve	(2,401)	0	0	0	0	(2,401)	0	0	(2,401)
Derecognition - disposals	74	751	2,082	0	0	2,907	0	0	2,907
Accumulated Depreciation and Impairment written to Gross Carrying Amount	4,635	0	0	26	0	4,661	0	0	4,661
At 31 March 2022	(1,089)	(7,611)	(23,163)	(37)	0	(31,900)	(5,371)	0	(37,271)
Net Book Value									
At 31 March 2022	127,921	9,610	14,913	525	40,845	193,814	2,114	185	196,113
At 31 March 2021	126,215	9,109	12,565	390	24,117	172,396	1,662	114	174,172

There was also £273k of capital spend on assets that were not in South Wales Police's estate and therefore deemed as Revenue Expenditure Funded from Capital Resources under Statute (REFCUS)

Assets under construction refer to the ongoing construction of the Police Learning Centre and other office accommodation at Police Headquarters, Bridgend.

Property, Plant and Equipment							Intangible Assets £000	Assets held for sale £000	Total Fixed Assets £000
	Other land & buildings £000	Vehicles £000	Information Systems & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total PP&E £000			
Movements on balances in 2020-21									
Cost or Valuation									
At 1 April 2020	126,979	13,294	28,675	0	3,450	172,398	5,209	254	177,861
*Additions - capital	1,299	3,486	4,415	0	20,667	29,867	1,064		30,931
Revaluation (decreases)/increases to Revaluation Reserve	(2,269)					(2,269)			(2,269)
Revaluation (decrease)/increase or impairments to Surplus/Deficit on Provision of Services including non-enhancing spend	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	(1,036)	(33)	0	0	(1,069)	0	0	(1,069)
Reclassified to/from Held for Sale	0	0	0	0	0	0	0	(140)	(140)
Reclassifications to Surplus Assets	(390)	0	0	390	0	0	0	0	0
Impairment reversals to SDPS	596	0	0	0	0	596	0	0	596
At 31 March 2021	126,215	15,744	33,057	390	24,117	199,523	6,273	114	205,910
Depreciation and Impairment									
At 1 April 2020	(2,018)	(6,090)	(14,964)	0	0	(23,072)	(3,697)	0	(26,769)
Depreciation charge	(3,256)	(1,344)	(5,561)	0	0	(10,161)	(914)	0	(11,075)
Depreciation written out to SDPS	883	0	0	0	0	883	0	0	883
Depreciation written out to Revaluation Reserve	4,391	0	0	0	0	4,391	0	0	4,391
Derecognition - disposals	0	799	33	0	0	832	0	0	832
At 31 March 2021	0	(6,635)	(20,492)	0	0	(27,127)	(4,611)	0	(31,738)
Net Book Value									
At 31 March 2021	126,215	9,109	12,565	390	24,117	172,396	1,662	114	174,172
At 31 March 2020	124,961	7,204	13,711	0	3,450	149,326	1,512	254	151,092

* There was also £316k of capital spend on assets that were not in South Wales Police's estate and therefore deemed as Revenue Expenditure Funded from Capital Resources under Statute (REFCUS)

Assets under construction refer to the ongoing construction of the Police Learning Centre and other office accommodation at Police Headquarters, Bridgend.

Number of Fixed Assets

	2021-22 Numbers	2020-21 Numbers
Police Headquarters, Bridgend	1	1
Divisional Headquarters	4	4
Other Police Stations and Offices	54	55
Radio Masts	4	4
House for Police Officers	1	1
	64	65
Vehicles	977	935

There was also the purchase of land during the financial year.

Depreciation

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

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

Capital Commitments

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

	2021-22 £000	2020-21 £000
Commitments		
Property Schemes	3,646	17,809
Vehicles	1,909	182
Computer systems	830	761
Communication systems	82	0
Other	92	315
Total	6,559	19,067

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

Investment Properties

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

Intangible Assets

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

Note 18 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (no assets were acquired under finance leases or PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, as assets are used by South Wales Police/ the Commissioner, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by South Wales Police/ the Commissioner that has yet to be financed. The CFR is analysed in the second part of this note.

	2021-22	2020-21
	£000	£000
Opening Capital Financing Requirement	22,945	10,895
Capital Investment		
Property, Plant and Equipment	10,559	9,200
Assets under Construction	18,221	20,667
Intangible Assets	1,168	1,064
Revenue Expenditure Funded from Capital Resources under Statute	273	316
Sources of finance		
Capital receipts	(648)	(233)
Minimum Revenue Provision	(2,237)	(2,237)
Government grants and other contributions	(416)	(587)
Direct revenue contributions	(12,039)	(16,140)
Closing Capital Financing Requirement	37,826	22,945
Movement in the year (increase)/decrease	(14,881)	(12,050)
Explanation of movement in the year:		
Capital Financing (Minimum Revenue Provision)	2,237	2,237
Decrease/(Increase) in underlying need to borrow (unsupported government borrowing)	(17,118)	(14,287)
(Increase)/decrease in Capital Financing Requirement	(14,881)	(12,050)

The increase in the Capital Financing Requirement is equal to the amount of capital expenditure funded from borrowing £17.1m less the Minimum Revenue Provision.

Note 19 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	£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 20 Assets Held for Sale

	2021-22	2020-21
	£000	£000
Balance outstanding at start of year	115	254
Assets newly classified/(declassified) as held for sale:		
Property, plant and equipment	70	0
Revaluation gains/(loss)	0	0
Assets sold	0	(139)
Balance outstanding at year end	185	115

Note 21 Debtors

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

	31 March	31 March
	2022	2021
	£000	£000
Central government bodies	26,475	23,318
Other local authorities and the police	10,054	8,140
NHS bodies	1	5
Other sundry debtors	751	820
Prepayments	5,474	3,851
Total	42,755	36,134

Note 22 Short Term Investments & Cash and Cash Equivalents

The balance of Short Term Investments Cash and Cash Equivalents is made up of the following elements:

	31 March 2022 £000	31 March 2021 £000
Short Term Investments	16,008	0
Total Short Term Investments	16,008	0

	31 March 2022 £000	31 March 2021 £000
Cash held by the Police and Crime Commissioner	101	93
Bank current accounts	(2,310)	329
Callable bank accounts	7,586	12,062
Money Market Funds	14,155	19,489
Total Cash and Cash Equivalents	19,532	31,973

Note 23 Creditors

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

	31 March 2022 £000	31 March 2021 £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
Total	41,330	33,427

Note 24 Provisions

Provisions represent sums set aside in respect of liabilities known or certain to occur, but for which the timing and value are uncertain. The following provisions are included in the Balance Sheet at 31 March 2022 with movements passing through the Comprehensive Income and Expenditure Statement:

	Outstanding Legal Claims £000	Insurance Claims re: MMI £000	Total £000
Balance at 1 April 2021	(2,636)	(1,173)	(3,809)
Additional provisions made	(777)	0	(777)
Amounts Used in 2021-22	176	0	176
Unused Amounts Reversed in 2021-22	785	0	785
Balance at 31 March 2022	(2,452)	(1,173)	(3,625)

Outstanding Legal and Insurance Claims

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

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

The estimated liability of former Municipal Mutual Insurance (MMI) managed claims of £1.17m is being held to cover any potential changes to the levy applied for payments and represents the maximum amount that could be drawn down.

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

Insured risks	'Self insured' risks
Employers Liability (combined with Public Liability) above £1,936,000 in total and above £100,000 for individual claims	Employers Liability (combined with Public Liability) below £1,936,000 in total and below £100,000 for individual claims
Public Liability (combined with Employers Liability) above £1,936,000 in total and above £150,000 for individual claims	Public Liability (combined with Employers Liability) below £1,936,000 in total and below £150,000 for individual claims
Employees' Personal Accident	None
Buildings - All Risks above £500 except in properties and radio masts where it is £10,000	Buildings - All Risks below £500 except in respect of unoccupied properties and radio masts where it is £10,000
Vehicles - Third party only	Vehicles - Accident damage unless recovered from third party
All Risks - equipment, computers and money - above £250	All risks below £250
Fidelity Guarantee above £100,000	Fidelity claims below £100,000

Note 25 Unusable Reserves

	31 March 2022 £000	31 March 2021 £000
Revaluation Reserve	(28,213)	(20,818)
Capital Adjustment Account	(130,079)	(130,411)
Pensions Deficit Reserve - Local Government	166,470	221,490
Pensions Deficit Reserve - Police	3,794,970	3,747,120
Accumulated Absences Account	8,279	5,905
Collaboration Adjustment Account	590	(7)
Total Unusable Reserves	3,812,017	3,823,279

Revaluation Reserve

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

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

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

	2021-22		2020-21	
	£000	£000	£000	£000
Balance at 1 April		(20,818)		(20,067)
(Upward) revaluation of assets and impairment losses not charged to the surplus/Deficit on the Provision of Services	(5,994)		(2,365)	
Downward revaluation of assets and impairment losses not charged to the surplus/Deficit on the Provision of Services	2,462		243	
Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on the Provision of Services		(3,532)		(2,122)
Assets Previously charged to Capital Adjustment Account	(4,704)			
Difference between fair value depreciation and historical cost depreciation (charged to the Capital Adjustment Account)	841		1,288	
Accumulated Gains on Assets Sold or Scrapped			83	
Amount written off to the Capital Adjustment Account		(3,863)		1,371
Balance at 31 March		(28,213)		(20,818)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 16 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis).

The account is credited with the amounts set aside by South Wales Police/ the Commissioner as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets

	2021-22		2020-21	
	£000	£000	£000	£000
Balance at 1 April		(130,411)		(120,132)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Prior Year Adjustments	(21)			
Charges for depreciation and impairment of non-current assets	9,877		9,278	
Revenue Expenditure Funded for Capital Under Statute	273		316	
Revaluation losses on property, plant and equipment	(69)		(595)	
Reversal of revaluation gain	0		(83)	
Amortisation of intangible assets	761		914	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	988		376	
		11,809		10,206
Adjusting amounts written out of the Revaluation Reserve	3,863		(1,288)	
Net written out amount of the cost of non-current assets consumed in the year		15,672		8,918
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(648)		(233)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(416)		(587)	
Statutory provision for the financing of capital investment charged against the Police Fund	(2,237)		(2,237)	
Capital expenditure charged against the Police Fund	(12,039)		(16,140)	
		(15,340)		(19,197)
Balance at 31 March		(130,079)		(130,411)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police Fund Balance from accruing for compensated absences earned but not taken in the year, (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the Police Fund Balance is neutralised by transfers to or from the account.

	2021-22	2020-21
	£000	£000
Balance at 1 April	5,905	3,465
Settlement or cancellation of accrual made at the end of the preceding year	(5,905)	(3,465)
Amounts accrued at the end of the current year	8,279	5,905
Balance at 31 March	8,279	5,905

Collaboration Fair Share Reserve

The Collaboration Fair Share Reserve has been set up to represent the restatement of collaborative costs and actual expenditure incurred in accordance with accounting standards.

	2021-22 £000	2020-21 £000
Balance at 1 April	(7)	40
Reversal of adjustments made at the end of the preceding year	7	(40)
Amounts adjusted at the end of the current year	590	(7)
Balance at 31 March	590	(7)

Pensions Reserve

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

	2021-22 £000	2020-21 £000
Balance at 1 April	3,968,610	3,515,050
Actuarial (gains)/losses on pension assets and liabilities	(116,600)	368,090
Reversal of items relating to retirement benefits debited or credited to Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	206,610	179,200
Employer's pension contributions and direct payments to pensioners payable in the year	(97,181)	(93,730)
Balance at 31 March	3,961,439	3,968,610

Note 26 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)

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's 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 pension's 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 Pension Benefits			Discretionary Pension Benefits		
	Scheme Arrangements	2021-22	Total 2021-22	Scheme 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	0	24,040
- Past service costs	80		80	0	0	180
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						
- Reversal of net charges made to the Surplus 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		0	11,560
- Retirement benefits payable to pensioners			0		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 County Council 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%		3.95%	
Rate of increase in pensions	2.90%	2.90%	2.70%	2.70%
Rate for discounting scheme liabilities	2.70%	2.70%	2.10%	2.10%

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 £13.5m. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period or changes may be due to differences between actual and estimated numbers within the scheme.

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 pension's 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:

Police Pension and Unfunded Injury Benefit Scheme	Pension Scheme and Discretionary Benefits		Pension Scheme and Discretionary Benefits	
	2021-22	Total 2021-22	2020-21	Total 2020-21
	£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:

Police Pension and Unfunded Injury Benefit Scheme	Pension Scheme and Discretionary Benefits 2021-22	Pension Scheme and Discretionary Benefits 2020-21
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 27 Financial Instruments

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Investments				
Deposits, loans and receivables	0	0	35,540	31,973
Debtors				
Financial assets carried at contract amounts	0	0	42,755	36,134
Borrowings				
Financial liabilities at amortised cost	(32,626)	(23,777)	(1,349)	(1,453)
Creditors				
Financial liabilities carried at contract amount	0	0	41,330	33,427

Income, Expense, Gains and Losses

	2021-22		2020-21	
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000
Interest expense	740		779	
Total expense in Surplus/deficit on the Provision of Services	740	0	779	0
Interest income		(27)		(83)
Total Income in Surplus/deficit on the Provision of Services	0	(27)	0	(83)

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2022 of 1.91% to 2.66% for loans from the PWLB;
- loans receivable and payable, are based on new lending rates for equivalent deposits, or loans at that date;

- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2022		31 March 2021	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Short term borrowing	(1,349)	(1,349)	(1,453)	(1,453)
Long term borrowing	(32,626)	(30,844)	(23,777)	(26,408)
Total	(33,975)	(32,193)	(25,230)	(27,861)

The fair value of the liabilities is higher than the carrying amount because South Wales Police / the Commissioner's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders higher than current market rates.

Valuation of Financial Instruments carried at Fair Value

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

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

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

	31 March 2022			31 March 2021		
	Quoted	Using	Significant	Quoted	Using	Significant
	Market	Observable	Unobservable	Market	Observable	Unobservable
	Price Level	Inputs	Inputs Level	Price Level	Inputs	Inputs Level
1	Level 2	3	1	Level 2	3	
	£000	£000	£000	£000	£000	£000
Financial Assets:						
Deposits, Loans and Receivables		35,540			31,973	
Financial Liabilities:						
Liabilities at amortised costs		(32,193)			(27,861)	
Total net assets	0	3,347	0	0	4,112	0

Note 28 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

- South Wales Police/ the Commissioner relies on credit ratings published by Fitch Ratings, Moody's Investors Service or Standard & Poor's to establish the credit quality of counterparties (issuers and issues) and investment schemes. South Wales Police/ the Commissioner has also determined the minimum long-term and short-term and other credit ratings it deems to be "high" for each category of investment; and
- The maximum amounts to be lent to each institution are subject to the above consideration of risk ratings and other factors and advice from treasury management consultants.

Further details can be found in the annual Treasury Management Strategy considered by South Wales Police/ the Commissioner prior to the 1 April each financial year.

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

The maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise.

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

	31 March 2022 £000	31 March 2021 £000
Less than three months overdue	93	920
Three to six months overdue	37	4
Six months to one year overdue	12	(34)
More than one year overdue	(31)	468
Total overdue debt	111	1,358
Value of doubtful debts impaired:	53	239
Impairment of doubtful debts as % of total overdue debt	47.7%	17.6%

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

	31 March 2022 £000	31 March 2021 £000
Less than one year	1,150	1,295
Between one and two years	995	1,151
Between two and five years	2,252	2,670
Between five and ten years	2,405	2,644
More than ten years	26,975	17,312
Total Outstanding Borrowing	33,777	25,072

Also included on the balance sheet is interest due in the following financial year, for 2021-22 accrued interest is £198,000 (2020-21 £158,000).

Market Risk - Interest Rate Risk

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

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

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

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

The treasury management team has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be that there would be a decrease in the fair value of fixed rate borrowing liabilities of £0.454m (£4.171m 2020-21). There was no variable rate borrowings or investments in 2021-22.

Market Risk – Price Risk

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

Foreign Exchange Risk

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

Note 29 Contingent Liabilities & Contingent Assets

There are no contingent liabilities nor contingent assets for the financial year.

NOTES TO THE CASH FLOW STATEMENT



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Note 30 Cash Flow Statement – Operating Activities

	2021-22 £000	2020-21 £000
The cash flows for operating activities include the following items:		
Net (surplus)/deficit on the Provision of Services	96,854	68,579
Adjustments to net surplus/deficit on the provision of services for non-cash movements:		
Depreciation and impairment of fixed assets	(10,081)	(8,683)
Amortisation of intangible fixed assets	(761)	(914)
Pension Fund adjustments	(109,429)	(85,470)
Contributions (to)/from provisions	184	871
Carrying Amount of Non-Current Assets sold or de-recognised	(988)	(377)
Increase/(decrease) in Inventories	463	104
Increase/(decrease) in Debtors	6,621	(3,548)
(Increase)/decrease in Creditors	(6,003)	(5,826)
	(119,994)	(103,843)
Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities:		
Capital grants	416	586
Proceeds from Sale of Property, Plant & Equipment	648	233
Returns on investments and servicing of financing	(713)	(697)
Net cash flows from Operating Activities	(22,789)	(35,142)

Note 31 Cash Flow Statement – Investing Activities

	2021-22 £000	2020-21 £000
Purchase of property, plant and equipment, investment property and intangible assets	28,318	28,832
Purchase of short term and long term investments	21,000	35,082
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(648)	(233)
Capital grants	(416)	(586)
Proceeds from short term and long term investments	(4,991)	(35,082)
Net cash flows from investing activities	43,263	28,013

Note 32 Cash Flow Statement – Financing Activities

	2021-22 £000	2020-21 £000
Cash receipts of short term and long term borrowing	(10,000)	0
Repayments of short term and long term borrowing	1,254	1,694
Net cash flows from financing activities	(8,746)	1,694

NOTES ON COLLABORATION



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Note 33 Collaboration

Police Forces in Wales have a long, successful history of collaborating to develop specialist areas of policing. This included those under the remit of the former Police Authorities of Wales Joint Committee. Future collaboration will be driven by the need to satisfy the Strategic Policing Requirement and by the outcomes of the Regional Strategic Assessment of threats, risks and harm to the southern region of Wales.

The Police and Crime Commissioner for each Police Force will be responsible for ensuring the Strategic Policing Requirement is met. As part of this, they will look to work in collaboration with other 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 IFRS 11, 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)	Population						
	£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)	Population						
	£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 fixed asset or expenditure which adds to, and not merely maintains, the value of an existing fixed asset.

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL RECEIPT

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

CAPITAL RECEIPTS RESERVE

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

CASH FLOW STATEMENT

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

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.

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.

CURRENT VALUE

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

IMPAIRMENT

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

INVENTORIES (STOCKS)

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

LEASING

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

LIABILITY

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

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.

PRECEPT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RESERVE

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

REVENUE ACCOUNT/ INCOME AND EXPENDITURE ACCOUNT

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

REVENUE SUPPORT GRANT

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

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.