

SOUTH WALES POLICE AUTHORITY

STATEMENT OF ACCOUNTS

FOR THE

YEAR ENDED 31st MARCH 2008

L.M. JAMES, BSc (Econ), CPFA

Treasurer to the Police Authority

SOUTH WALES POLICE AUTHORITY
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED
31st MARCH 2008

TABLE OF CONTENTS

Foreword - by the Treasurer.....	3
Independent Auditor's Report to the Members of South Wales Police Authority	7
Accounting Policies	9
Statement of Responsibilities for the Accounts.....	13
Income and Expenditure Account	14
Statement of Movement on the Police Fund Balance	15
Statement of Total Recognised Gains and Losses	15
Balance Sheet.....	16
Cashflow Statement	17
Notes to the Accounts	18
Pension Fund Account	32
Statement on Internal Control.....	33
Glossary of Terms.....	36

Foreword by the Treasurer

This Statement of Accounts presents the overall financial position of the Police Authority for the year ended 31 March 2008. The accounts are produced in accordance with the Accounts & Audit (Wales) Regulations 2005 and in the format stipulated by the Chartered Institute of Public Finance and Accountancy in accordance with best accounting practice.

The Authority's Accounts for the financial year 2007/8 are set out on pages 9 to 32 and consist of:

1. An Income and Expenditure Account, which shows the income and expenditure of the Authority;
2. A Balance Sheet, setting out the financial position of the Authority as at 31st March 2008;
3. A Statement of Movement on the Police Fund Balance;
4. A Statement of Total Recognised Gains and Losses;
5. A Cash Flow Statement, which summarises the movement of cash arising from transactions with third parties for revenue and capital purposes and;
6. Notes to the Accounts, which explain further the entries in the financial statements;
7. Pension Fund Account.

These Statements of Account differ from those produced in previous years, as follows:

- The Service analyses of the Income and Expenditure account is combined into one main service in accordance with continued changes by the Best Value Accounting Code of Practice.
- The Balance Sheet includes a new Fixed Asset Revaluation Reserve and Capital Adjustment Account replacing the former Fixed Asset Restatement Account and Capital Financing Account.

Revenue Account

The Police Authority set a net revenue budget for 2007/8 of £232.099 million, to fund existing expenditure commitments, identified force priorities and continuation of projects within the Seren development programme. The Authority delegates management of the bulk of the budget to the Chief Constable and monitors performance on a regular basis.

The table below provides a summary of the final outturn position for 2007/8 compared to the approved budget and incorporates transfers to reserves:

	Budget	Actual	Variation
	£000	£000	£000
Total Gross Expenditure	268,595	275,513	(6,918)
Income	(8,291)	(9,757)	1,466
Other Grants	(28,205)	(31,687)	3,482
Net Movement in Earmarked Reserves	0	(1,090)	1,090
Net Revenue Expenditure	232,099	232,979	(880)
Financed by:			
Police Grant (Home Office)	(94,815)	(94,815)	0
Revenue Support Grant (Welsh Assembly)	(44,692)	(44,692)	0
Non Domestic Rates (Welsh Assembly)	(32,657)	(32,657)	0
Amount to be met by local taxation	(59,935)	(59,935)	0
Net Movement in Police Fund Reserves	0	(880)	880
Total Net Expenditure and Contributions to Reserves	(232,099)	(232,979)	880

Note: the format of the above table compares the actual outturn in overall terms with the original budget. It differs in format to the Income & Expenditure Account, which is presented in compliance with the CIPFA Statement of Recommended Practice. The latter accounts for the Net Cost of Services split by service analysis and includes charges for retirement benefits, depreciation and pensions top up grant receivable, which is subsequently required to be contributed to the Pension Fund. Certain transactions are excluded from the Income and Expenditure Account, but included in the above summary when determining the statutory Budget Requirement, i.e. Employers' pension contributions and Capital Expenditure funded from Revenue. Further analysis is provided in Note 15.

The main variations to budget relate to Police Officer Pay, Police Pensions and Police Staff Pay. The Police Officer pay budget was underspent at year end, mainly as a result of the Home Office decision to limit the backdating of the 2.5% Police Officer pay award to 1st December only. A subsequent judicial review found in favour of the Home Office which has resulted in £0.9 million being available to transfer to General Reserves.

The Force's Work Force Transformation programme includes a comprehensive review of the Police Officer establishment which has identified a number of issues relating to ill health retirements. As a consequence of this work slippage occurred in the number of medical retirements approved during the year and the authority has established a specific reserve to meet the costs of additional ill health retirements which may arise during 2008/9.

A number of initiatives and projects which were commenced during 2007/8 could not be finalised and the Authority has felt it necessary and prudent to establish specific and earmarked reserves to ensure their successful completion in addition to the normal, prudent, limited carry forward of devolved under-spends in accordance with the devolved budgetary control framework.

Unplanned funding has been received in relation to the asset recovery process as a result of the Proceeds of Crime Act. A specific reserve has been established to ensure continued activity in this important area of crime prevention. There were also virements between subjective and objective categories of the budget to better reflect budget holders business plans and organisational priorities which were identified during the year.

The Authority's Income and Expenditure Account has been presented (see page 14) in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) "Best Value Accounting Code of Practice". The definition of the service types is currently under revision and for this year the analysis is combined into one, for Police Services.

Reserves

The financial position of the Authority has marginally strengthened with respect to the level of general and earmarked reserves. In 2006/7, there were significant changes to the financing arrangements for Police Pensions which required a charge to the general reserve. In 2007/8 the target for general reserves was 2% of the Net Budget Requirement, which is intended to safeguard the Authority in the event of any unexpected significant financial burdens. The Authority has approved a risk based revised policy and has set a target that general reserves should be maintained at 3% of Gross Revenue Expenditure. The fortuitous saving in relation to the Police Officer pay award has allowed the Authority to begin to increase general reserve levels to the approved target from £2.835 million to £3.715 million.

The Authority has a robust framework for identifying initiatives and projects which require continuation funding. Variations in spending during the year have allowed specific and earmarked reserves to be increased by £1.090 million to £5.432 million to finance these future expenditure requirements.

The Authority's capital reserves stand at £21.992 million, which are fully committed to meet the Capital Programme approved by the Authority and will be exhausted by 2010/11.

Capital Finance & Borrowing

Capital expenditure for the period was £14.039 million, financed by specific grant, borrowing, capital receipts and revenue contributions. This represented investment in land and buildings of £7.001 million, vehicles £2.160 million and information technology and other £4.878 million.

The Authority is able to finance capital expenditure by way of borrowing subject to prudential framework. During the year a total of £1.671 million was borrowed from the Public Works Loan Board (PWLb) to partly finance capital expenditure. Decisions about the capital programme and its financing are taken in the context of CIPFA's Prudential Code, which provides authorities with more borrowing flexibility, however to date this facility has not been utilised.

After accounting for repayments of previous debt, the total outstanding long term debt for capital purposes increases from £11.988 million to £12.242 million at the 31st March 2008.

Police Authority Assets

Assets of the Authority include Land and Buildings, Vehicles, Communications and Other Technological Equipment. The total asset value for accounting purposes is included at £81.463 million, in line with the formal revaluation of its Land & Buildings during 2006/7.

Pensions Liability

The Pension Scheme for Police Officers is unfunded by statute. From April 2006, the Home Office introduced both new financing arrangements and a new pension scheme for recruits joining after that date. These arrangements have fundamentally changed the financing arrangements for police pensions and now include an employer's contribution, based on pensionable pay and the introduction of a new grant to meet any in year deficits. The Fund's Account is included separately at page 32.

A software model, developed by the Government Actuary's Department, has been used to calculate the potential liability of the scheme based on Actuarial review, using Pension and Payroll data. This estimated liability reduced over the year from £1,833 million to £1,608 million, a reduction of 12% which represents an actuarial gain.

In the case of Police Staff, the Police Authority is an admitted body to the Rhondda Cynon Taff County Borough Council Local Government Pension Scheme. Following the full actuarial valuation of that Scheme, further work has been undertaken by the Fund's Actuaries to derive suitable approximate allocations to participating bodies. The Police Authority's share of the estimated deficit in this scheme reduced over the year from £73,540 million to £47,680 million as at 31 March 2008, a reduction of 35%. This reduction reflects similar changes in financial and demographic assumptions and results in reduced estimated liabilities also from an actuarial gain.

A new benefit structure was introduced in the Local Government Pension Scheme from 1 April 2008. This change affects both the value of benefits earned up to 31 March 2008 and the cost going forward from that date. The changes introduced in the 2008 scheme that affect the active members' benefits earned before 1 April 2008 are:

- An increase in the period of the pension guarantee following retirement from 5 to 10 years.
- The introduction of contingent dependants' benefits for co-habitees.
- An increase in the lump sum on death in deferment benefits following the member leaving service from three times to five times the deferred pension.
- A change to service enhancements for ill-health and death in service pensions.

Corporate Governance

A statement on the system of internal control is included in the accounts. The statement highlights the Authority's internal control environment, comments on its effectiveness and identifies issues for the future work. The statement is backed by a signed statement by both the Chair and Chief Executive of the Police Authority. Internal control systems are subject to a process of continuous improvement.

Future Activities

The Authority's objectives for 2008/9 draw on those that have been set out in previous years, and focus on reducing crime, anti-social behaviour and improving public reassurance – issues which our citizens have identified as their prime concerns. Our vision is 'Keeping South Wales Safe' and this will be achieved by:

- Making every contact count
- Reducing crime and detecting crime
- Providing an emergency service
- Protecting our communities
- Ensuring we are efficient and effective

The Authority has over past years made a substantial financial investment in new technology to support operational policing. A new performance management regime within the Force/ Authority will ensure that the planning and delivery of our objectives is aligned to keeping South Wales Safe. The Home Office will publish the first Assessments of Policing and Community Safety (APACS) next year. The purpose of this framework is to monitor and assess the crime and community safety work of South Wales Police and its partners, and aims to simplify the performance landscape. South Wales Police has already come a long way, but 2008/9 will focus on delivering a quality policing service that the public deserves.

The Comprehensive Spending Review 2007, provided details of Government funding, fixed for the next 3 years and guarantees increases of at least 2.5% in each year. As a result of this announcement, medium term financial projections indicate that the consequential budget gap increases from £9.3 million to £11.1 million by 2010/11. This is prior to the realisation of cash releasing efficiencies. In addition, it is clear that there is an expectation that average Council Tax increases will be at or below 5% for the same period.

South Wales Police has for many years under invested in the maintenance and modernisation of its Estate. A major programme of rationalisation is underway coupled with the requirement for major investment in the provision of effective operational and Headquarters based accommodation.

L. M. James, BSc (Econ), CPFA

Treasurer to the Police Authority

Dated: .. September 2008

Independent Auditor's Report to the Members of South Wales Police Authority

I have audited the accounting statements, pension fund accounts and the related notes of South Wales Police Authority for the year ended 31 March 2008 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement. The pension fund accounts comprise the Fund Account and the Net Assets Statement. The accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to South Wales Police Authority in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors and of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The Chief Financial Officer's responsibilities for preparing the Statement of Accounts, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the local government body and its income and expenditure for the year; and
- the financial transactions of its pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

I review whether the Statement on Internal Control reflects compliance with CIPFA's guidance 'The Statement on Internal Control: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounts. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Police Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgments made by the Police Authority in the preparation of the accounting statements and pension fund accounts, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, pension fund accounts and related notes.

Opinion

In my opinion:

- The accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of South Wales Police Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the South Wales Police Authority Police Pension Fund during the year ended 31 March 2008 and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

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

My conclusion on South Wales Police Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Annual Audit Letter to the Authority.

Anthony Barrett
Appointed Auditor
Wales Audit Office
Unit 4, Evolution
Lakeside Business Park
St David's Park
Ewloe, CH5 3XP

.. September 2008

Accounting Policies

1. General Principles

The general principles 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 2007: A Statement of Recommended Practice (the SORP). This is supplemented by the Best Value Accounting - Code of Practice (BVACOP), applicable from April 2000, which revised the standard service classification for Local Authority Accounting and Reporting. These codes of practice set out the fundamental principles on the application of Financial Reporting Standards (FRS's) and Statements of Standard Accounting Practice (SSAPs) as required by the Local Government and Housing Act 1989, the Local Government Finance Act 1982 and the Accounts and Audit Regulations. Any instances where these financial statements do not comply with the SORP are noted below.

2. Debtors and Creditors

The revenue and capital transactions of the Authority are recorded on an accruals basis. Where actual amounts were not available, it may have been necessary to use appropriate estimated values.

3. Stocks

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

4. Value Added Tax (VAT)

The Police Authority is reimbursed for VAT and the Revenue Account has therefore been prepared exclusive of this tax in accordance with SSAP 5.

5. Pensions

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) direct charge to the Police Authority's 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 Police Authority is a participating member of the Rhondda Cynon Taff County Borough Council Pension Fund. The Authority makes an employer's contribution into that Pension Fund.

6. Government Grants

Grants in respect of revenue expenditure are included in the accounts in the year in which the related expenditure is charged.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant, the amount of the grant is credited initially to the Government Grants Deferred Account. Amounts are released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

7. 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 Income and Expenditure Account whilst the expenditure, when incurred, is charged against the provision.

8. Reserves

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. The Authority 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.

9. Investments

All interest generated from the investment of reserves and income received in advance of expenditure are accounted for as income in the Income and Expenditure Account. Investments are shown in the Balance Sheet at cost.

10. Provision for the Repayment of Debt

The amount provided is based on the Minimum Revenue Provision of 4%, as required by legislation. The Authority also makes a voluntary provision in excess of this sum in line with its repayment agreement with the lender. This provision is charged to the Police Fund.

11. Capital Financing

Whilst the accounts are presented on the Capital Accounting basis in accordance with the CIPFA Code of Accounting Practice, it is also necessary to account for the financing aspects of capital expenditure, which is similarly prescribed by provisions of the Local Government Act 2003 and Regulations made thereunder. Section 16 of the Act defines expenditure for capital purposes as that "which falls to be capitalised in accordance with proper practices". Currently this definition includes:

- Acquisition of land and existing buildings.
- New construction, conversion and renovation.
- Acquisition, renewal or replacement of vehicles and vessels.
- Acquisition, renewal or replacement of plant, machinery and equipment, including furniture and fittings.
- Credit arrangements of the calculated initial cost (including finance leases but excluding operating leases), when entering into or varying such arrangements.

Regulations also allow authorities to capitalise expenditure incurred on the acquisition or preparation of a computer programme or system.

Allocations of Capital Grant and Credit Approvals are issued by the Home Secretary on an annual basis. The latter was revised from April 2005 and defined as the Supported Capital Expenditure (Revenue) to support capital programmes by way of borrowing approval. The Capital Programme may be enhanced by Capital Receipts, Revenue financing, Reserves, PFI schemes. From April 2005 authorities are able to raise additional capital finance from unsupported borrowing by applying the CIPFA Prudential Code of Practice. This would set borrowing limits above that supported by the Home Secretary, by considering tests of prudence and affordability.

Under the Private Finance Initiative, notional credit approvals may be applied for from the Home Office for schemes meeting certain criteria. Such approvals would then be taken into account in the Revenue Support Grant Settlement to the Authority, thus providing part funding of predefined contractual 'rental type' payments, which could be based on actual service provision by the providing organisation. South Wales Police have no PFI Schemes currently.

12. Fixed Assets

All expenditure on the acquisition, creation, or enhancement of fixed assets has been capitalised on an accruals basis in accordance with FRS15, Tangible Fixed Assets.

Subsequent capital expenditure is capitalised where it provides an enhancement to the economic benefits of the assets in excess of those previously assessed. The useful economic lives of fixed assets are reviewed annually and adjusted where necessary. The de minimis level policy is to capitalise all capital expenditure over £5,000.

Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the authority [e.g. software licences] is capitalised when it will bring benefits to the authority for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accrual basis, provided that it yields to the authority and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset [e.g. repairs and maintenance] is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value.
- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value
- Vehicles, plant and other equipment – based on historic cost as advised by a suitably qualified officer
- Computer and Communication Systems – depreciated replacement cost with new additions being measured at historic cost as advised by a suitably qualified officer.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – written off against revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal [i.e. netted off against the carrying value of the asset at the time of disposal]. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts, are credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow [the capital financing requirement]. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Grants and Contributions: where grants and contributions are received that are identifiable to fixed assets, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to the Income and Expenditure Account to offset depreciation charges. These write downs are not separately identified to individual assets and respective asset lives. A reducing balance of 20% per annum is applied, which write downs the value over a standard period of 5 years.

13. Depreciation

Depreciation is provided for on all assets with a determinable finite life [except for investment properties], by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. The following basis are used:

- Land & Buildings: on a straight line basis using an estimated useful life of 50 years;
- Vehicles: on a straight line basis over the period estimated to benefit from their use – between 3 and 5 years;
- Computer Hardware: on a straight line basis over the period estimated to benefit from their use – between 3 and 7 years;
- Computer Software Licences: amortised on a straight line basis over the estimated life, between 3 and 7 years.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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.

14. Leases

Property leases are accounted for as operating leases and disclosed with leases of vehicles and equipment.

Statement of Responsibilities for the Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer.
- manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- approve the statement of accounts.

I certify that the South Wales Police Authority approved this statement of accounts at its meeting on 30th June 2008.

Councillor Russell Roberts

Chair of the Police Authority

Dated: .. September 2008

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's 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.

In preparing this statement of accounts, I have:

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

I have also:

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

I certify that the Statement of Accounts, presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March, 2008.

L.M. James, BSc (Econ), CPFA

Treasurer of the Police Authority

Dated: .. September 2008

Income and Expenditure Account
For the Year Ended 31st March 2008
(CIPFA Best Value Accounting Code of Practice format)

2006-2007	Note			2007-2008
£000		Gross Expenditure	Income & Grants	Net Expenditure £000
<u>Service Expenditure:</u>				
250,613	Police Services	297,015	(41,235)	255,780
845	Corporate and Democratic Core	954	0	954
140	Non-Distributed Costs	4.2 2,530	0	2,530
251,598	NET COST OF SERVICES	300,499	(41,235)	259,264
(2,682)	Interest and investment income			(3,280)
(237)	Capital Financing Grant	12		(209)
0	Gain or Loss on Disposal of Fixed Assets			(311)
806	Interest payable and similar charges			801
(13,792)	Pensions Top up Grant receivable (Home Office)			(12,425)
93,290	Pensions Interest Cost and expected return on pension assets	4		101,360
328,983	NET OPERATING EXPENDITURE			345,200
<u>Sources of Finance:</u>				
(92,112)	Police Grant (Home Office)			(94,815)
(44,316)	Revenue Support Grant (National Assembly)			(44,692)
(30,087)	Non-Domestic Rate Income (National Assembly)			(32,657)
(56,538)	Council Tax Payers	14		(59,935)
(223,053)	TOTAL EXTERNAL FUNDING			(232,099)
105,930	DEFICIT/ (SURPLUS) FOR YEAR			113,101

The Income and Expenditure Account is presented in accordance with the CIPFA Best Value Accounting Code of Practice (BVACOP), which sets out the service category under which expenditure should be analysed. A traditional subjective analysis of expenditure may be found at Note 1 to the Accounts, which outlines expenditure by type. The definition of the Service types is under revision by the Best Value Code of Practice, and for this year the analysis is combined into one, for Police Services.

Statement of Movement on the Police Fund Balance

For the Year Ended 31st March 2008

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The Police Fund Balance shows whether the Authority has over/ under spent against the Budget Requirement that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Police Fund Balance.

2006-2007 £000	Note	2007-2008 £000
105,930 Deficit/(Surplus) For the Year on the Income and Expenditure Account		113,101
(104,213) Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the Police Fund Balance for the year	15	(113,981)
1,717 Decrease/(increase) in the Police Fund for the Year		(880)
(4,552) Police Fund Balance Brought Forward		(2,835)
(2,835) Police Fund Balance Carried Forward		(3,715)

Statement of Total Recognised Gains and Losses

For the Year Ended 31st March 2008

This Statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2006-2007 £000	Note	2007-2008 £000
105,930 Deficit/(Surplus) For the Year on the Income and Expenditure Account		113,101
(7,370) Deficit/(Surplus) Arising on Revaluation of Fixed Assets	16	(1,299)
(130,500) Actuarial Losses/(Gains) on Pension Fund Assets and Liabilities	4	(364,186)
(810) Other Losses/ (Gains) on Fixed Asset other movements	16	(526)
(32,750) Total Recognised Losses and (Gains) for the Year		(252,910)
(882) Prior year Adjustment		0
(33,632) Total Recognised Losses and (Gains) since last Statement of Accounts		(252,910)

Balance Sheet
as at 31st March 2008

2006-2007 £000 (Restated)		Note	2007-2008 £000
	FIXED ASSETS:		
1,201	Intangible Assets (Computer Software)	16	1,461
76,019	Tangible Fixed Assets	16	80,002
77,220			81,463
	CURRENT ASSETS:		
671	Stocks	18	725
17,611	Debtors	19	13,072
41,300	Short Term Investments & Deposits	20	47,625
0	Bank		256
9	Cash in hand		41
59,591	TOTAL CURRENT ASSETS		61,719
	CURRENT LIABILITIES:		
(21,015)	Creditors	21	(24,375)
(1,360)	Other Funds & Creditor Accounts	21	(1,627)
(1,688)	Bank Overdraft		0
(24,063)	TOTAL CURRENT LIABILITIES		(26,002)
112,748	TOTAL ASSETS LESS CURRENT LIABILITIES		117,180
(11,988)	Long Term Borrowing	22	(12,242)
(6,469)	Government Grants Deferred Account	23	(8,510)
(5,466)	Provisions	24	(5,983)
99,460	Asset related to Local Government pension scheme	4	106,820
(173,000)	Liability related to Local Government pension scheme	4	(154,500)
(1,833,240)	Liability related to Police Pension scheme	4	(1,607,810)
(1,817,955)	TOTAL ASSETS LESS LIABILITIES		(1,565,045)
	EQUITY:		
0	Revaluation Reserve	25	(1,299)
(56,927)	Capital Adjustment Account	25	(58,007)
(177)	Usable Capital Receipts Reserve	25	0
73,540	Local Government Pensions Reserve/ Deficit	25	47,680
1,833,240	Police Pensions Reserve/ Deficit	25	1,607,810
(24,544)	Earmarked Capital Reserves	25	(21,992)
(4,342)	Earmarked Revenue Reserves	25	(5,432)
(2,835)	Police Fund Balance	25	(3,715)
1,817,955			1,565,045

Cashflow Statement

For The Year Ending 31st March 2008

2006-2007 £000		Note	2007-2008 £000
	REVENUE ACTIVITIES		
	Cash outflows		
180,979	Cash paid to and on behalf of employees		193,866
28,587	Employers Contribution to Police Pensions		28,865
44,933	Other operating costs		39,026
13,792	Contribution to Pension Fund		11,229
	Cash inflows		
(85,467)	Home Office Grants		(101,488)
(44,316)	National Assembly Grants		(44,692)
(30,087)	Non-Domestic Rate Income		(32,657)
(56,538)	Precepts on Council Tax Collection Funds of Unitary Authorities		(59,935)
(16,110)	Receipts from Fees and Charges		(2,362)
(30,131)	Other Grants		(31,478)
5,642	NET CASH (INFLOW)/ OUTFLOW FROM REVENUE ACTIVITIES		374
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
806	Interest Paid		801
(237)	Capital Financing Grant		(209)
(8,953)	Pensions top up grant		(15,837)
(2,682)	Interest Received from Investments		(3,280)
(5,424)	TOTAL NET CASH (INFLOW)/ OUTFLOW FROM REVENUE ACTIVITIES	26	(18,151)
	CAPITAL ACTIVITIES		
	Cash outflows		
12,034	Purchase of fixed assets		14,537
	Cash inflows		
(179)	Sale of fixed assets		(1,251)
(3,323)	Capital Grants Received		(3,115)
3,108	NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING		(7,980)
	MANAGEMENT OF LIQUID RESOURCES		
(2,900)	Net (increase)/decrease in short-term deposits/ investments		6,325
	FINANCING		
	Cash outflows		
1,271	Loan Repayments		1,350
	Cash inflows		
(1,671)	New loans raised		(1,671)
(192)	(INCREASE)/ DECREASE IN CASH AND CASH EQUIVALENT	27	(1,976)

An analysis of grants can be found in the notes to the Income and Expenditure Account, on page 23, although the latter is presented on an accruals basis rather than on a cash basis.

Notes to the Accounts

1. Income and Expenditure Account: Traditional Subjective Expenditure Format (Year Ended 31st March 2008)

2006-2007 £000		Note	2007-2008 £000
	<u>Expenditure:</u>		
178,021	Employee Costs		186,273
63,870	Pensions (Current and Past service Cost)	4	61,270
45,264	Non- Pay costs	5	46,426
5,808	Depreciation	16	6,505
0	Impairment to Fixed Assets	16	4,140
(3,497)	Transfers from Government Grants Deferred Account	23	(4,115)
(7,737)	Income	13	(9,757)
(30,131)	Other Grants	12	(31,478)
251,598	NET COST OF SERVICES		259,264
	<u>Corporate:</u>		
(2,682)	Interest and investment income		(3,280)
(237)	Capital Financing Grant	12	(209)
0	Gain or Loss on Disposal of Fixed Assets		(311)
806	Interest payable and similar charges		801
(13,792)	Pensions Top Up Grant receivable (Home Office)		(12,425)
93,290	Pensions (Interest Cost and expected return on assets)	4	101,360
328,983	NET OPERATING EXPENDITURE		345,200
	<u>Sources of Finance:</u>		
(92,112)	Police Grant (Home Office)		(94,815)
(44,316)	Revenue Support Grant (National Assembly)		(44,692)
(30,087)	Non-Domestic Rate Income (National Assembly)		(32,657)
(56,538)	Council Tax Payers	14	(59,935)
(223,053)	TOTAL EXTERNAL FUNDING		(232,099)
105,930	DEFICIT/ (SURPLUS) FOR YEAR		113,101

2. Restatement of Prior Year Comparatives

2.1 As a result of changes in the format of the Authority's Statement of Accounts, detailed below, arising from changes to the Code of Practice on Local Government Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP), comparative figures for 2006/7 have been restated, as follows:

Balance Sheet as at 31 st March 2007	As previously Stated 31 st March 2007	Restated 31 st March 2007
EQUITY:		
Revaluation Reserve	0	0
Fixed Asset Restatement Account	(12,478)	0
Capital Financing Account	(44,449)	0
Capital Adjustment Account	0	(56,927)
	(56,927)	(56,927)

2.2 The restatement of Capital Grant Reserves as receipts in advance, which also restates Note 21 Creditors. These funds were fully applied during 2007/2008.

Balance Sheet as at 31 st March 2007	As previously Stated 31 st March 2007	Restated 31 st March 2007
Current Liabilities/ Equity:		
Creditors (Receipts in Advance)	0	(3,041)
Earmarked Capital Reserves	(27,585)	(24,544)

2.3 Additionally, new items are included in the Income and Expenditure Account and in Note 15 - "Net additional amounts required by statute and non-statutory proper practices to be debited or credited to the Police Fund Balance for the year" - which are taken into account in the "Statement of Movement on the Police Fund Balance". These include new entries for Gain or Loss on Disposal of Fixed Assets and Impairment to Fixed Assets.

3. Employee Remuneration

During the year the number of officers and support staff who received remuneration in excess of £60,000, excluding pension contributions, are provided below. This is a specific requirement of the Accounts and Audit (Wales) Regulations 2005.

Number of Employees:

2006-2007	Remuneration band	2007-2008
24	£60,000 - £69,999	36
6	£70,000 - £79,999	15
0	£80,000 - £89,999	7
0	£90,000 - £99,999	2
1	£100,000 - £109,999	0
1	£110,000- £120,000	0
1	£120,000- £130,000	1
0	£130,000- £140,000	0
0	£140,000- £150,000	0
0	£150,000-£160,000	2
33		63

The above includes annual salaries and expense allowances as remuneration being chargeable to United Kingdom income tax. For two individuals the payment of arrears of expense allowances relating to prior years has significantly increased their total remuneration for the year ending 31st March 2008.

4. Pension Costs

4.1. As part of its terms and conditions of employment the Authority offers retirement benefits through the following pension schemes:

The Police Pension Scheme (for police officers) – 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.

The Local Government Pension Scheme (LGPS - for police staff), provided by the Rhondda Cynon Taff (RCT) County Borough Council Pension Fund – a defined benefit scheme, based upon final pensionable salary.

- 4.2. The Authority recognises the cost of retirement benefits in the “Net Cost of Services” when employees earn them, rather than when the benefits are actually paid as pensions. However, the charge the Authority is required to make against Grants and Council Tax is based upon the cash payable (employers contributions) in year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account through the movement on the pension’s reserve. The following transactions have therefore been made in the Income and Expenditure Account during the year:

	Police Pension Scheme		LGPS		Total	
	2007-8 £000	2006-7 £000	2007-8 £000	2006-7 £000	2007-8 £000	2006-7 £000
Current Service Cost	51,020	56,500	7,720	7,230	58,740	63,730
Past Service Cost	760	0	1,770	140	2,530	140
Interest Cost	99,290	91,470	9,320	7,970	108,610	99,440
Expected Return on Assets	0	0	(7,250)	(6,150)	(7,250)	(6,150)
Total Movement to Income and Expenditure Account and Reversed in note 15	151,070	147,970	11,560	9,190	162,630	157,160
Charged to Grants and Local Taxation:					(162,630)	(157,160)
Employers Contributions	29,115	28,587	8,194	7,270	37,309	35,857

- 4.3. The underlying assets and liabilities for retirement benefits attributable to the authority as at 31st March 2008, including its share of the assets and liabilities of the RCT Pension Fund, are as follows:

	Police Pension Scheme		LGPS		Total	
	2007-8 £000	2006-7 £000	2007-8 £000	2006-7 £000	2007-8 £000	2006-7 £000
Estimated Liabilities	1,607,810	1,833,240	154,500	173,000	1,762,310	2,006,240
Estimated Assets	0	0	(106,820)	(99,460)	(106,820)	(99,460)
Net Pension Liability	1,607,810	1,833,240	47,680	73,540	1,655,490	1,906,780

The Police Pension Scheme’s, include liabilities for the following:

	2007-2008 £000	2006-2007 £000
Police Pension Scheme 1987	1,568,880	1,793,960
Police Injury Benefit Scheme	36,480	38,450
Police Pension Scheme 2006	2,450	830
	1,607,810	1,833,240

- 4.4. The table below outlines the differences between expected and actual returns on assets, experience of gains and losses arising on liabilities and the impact of changes in the assumptions used by the Pension Actuaries.

	Police Pensions £000	% of assets/ liabilities at 31.03.08	Local Government Pensions £000	% of assets/ liabilities at 31.03.08
The difference between the Expected and Actual Return on assets	0	0	(6,110)	(5.7%)
Experience Gains and (Losses) arising on the scheme Liabilities	15,680	(1.1%)	(1,040)	0.7%
Changes in assumptions underlying the present value of the pension liabilities	319,950	(20.1%)	36,330	(23.5%)
Actuarial (Loss)/ Gain	335,630	(21.2%)	29,180	(61.2%)
Total Police and Local Government	364,810			

- 4.5. A full actuarial valuation of the RCT Pension Fund was undertaken on 31st March 2007 by Hewitt Associates Limited dated 27th March 2008.
- 4.6. The Authority's liability to pay benefits under the Police Pension Scheme has been estimated on the basis of information provided by the Government Actuary and based on a date of 31st March 2008.
- 4.7. The main assumptions used by Hewitt Associates Limited and the Government Actuary were:

	Police Pension Scheme		LGPS	
	2007-8 %	2006-7 %	2007-8 %	2006-7 %
Inflation	3.7%	3.4%	3.7%	3.2%
Increase in Salaries	5.2%	4.9%	5.2%	4.7%
Increase in Pensions	3.7%	3.4%	3.7%	3.2%
Increases in Deferred Pensions			3.7%	3.2%
Rate of discounting scheme liabilities	6.9%	5.4%	6.8%	5.3%

- 4.8. As an unfunded scheme, the Police Pension Scheme has no assets to cover its liabilities. Assets in the Rhondda Cynon Taff County Borough Council Pension Fund are valued at Fair Value – principally open market value for investments - and consist of the following categories, analysed by proportion of the total assets held by the fund:

	31 March 2008		31 March 2007	
	Proportion of Fund Assets	Expected Return	Proportion of Fund Assets	Expected Return
Equities	73%	7.6%	81%	7.7%
Government Bonds	12%	4.6%	12%	4.7%
Corporate Bonds	2%	6.8%	1%	5.3%
Property	4%	6.6%	0%	6.7%
Other	9%	6.0%	6%	5.6%
Total	100%		100%	
Average long term expected rate of return		7.1%		7.2%

5. Non Pay Costs

2006-2007 £000		2007/8 £000's
7,031	Premises	7,629
8,288	Transport	8,864
24,006	Supplies & Services	22,054
9,348	Third Party Costs	12,263
399	Support Services	389
(3,808)	Less: Internal income and recharges	(4,773)
45,264		46,426

6. Support Services

A number of Local Authorities and other external organisations provide support services to the Police Authority, they include the following: Figures include accrual's where necessary.

2006-2007 £000		2007-2008 £000
284	Financial Services: Police Pension Payroll & Support Staff Pension Administration - Rhondda Cynon Taff CBC, Insurance Services - Vale of Glamorgan Council, Internal Audit - contracted to commercial organisation.	303
35	Other Services: Valuation: Property Valuation Services- Neath Port Talbot CBC, Rhondda Cynon Taff CBC & other commercial organisations	5
319		308

7. Audit Fee

2006-2007 £000		2007-2008 £000
80	External Audit – Wales Audit Office	82

8. Members' Allowances

The total of allowances and expenses paid to members of the Police Authority were as follows:

2006-2007 £000		2007-2008 £000
196	Allowances and Expenses	197

9. Publicity Expenditure

Section 5 of the Local Government Act 1986 requires the disclosure of spending on publicity. The costs incurred by the Authority were as follows:

2006-2007 £000		2007-2008 £000
538	Public Relations Department (Pay and Non Pay Costs)	480
342	Recruitment Advertising	313
68	Other Advertising	144
948		937

10. Minimum Revenue Provision

Regulations require Police Authorities to set aside money to provide for the redemption of at least 4% of outstanding debt. The difference between this amount and the charge for depreciation is charged to the Police Fund as the "Minimum Revenue Provision for capital financing".

2006-2007 £000		2007-2008 £000
(5,808)	Amount charged as depreciation	(6,505)
718	Minimum Revenue Provision	1,350
(5,090)	Charge to the Police Fund	(5,155)

11. Leases

11.1 The annual cost of leases is as follows:

2006-2007 £000		2007-2008 £000
79	Vehicles (Operating Leases)	86
100	Equipment (Operating Leases)	153
1,041	Property	1,049
1,220		1,288

11.2 Outstanding commitments in respect of operating leases are as follows:

	31 March 2008			31 March 2007		
	Property £000	Vehicles £000	Equipment £000	Property £000	Vehicles £000	Equipment £000
< 1 Year	984	48	210	823	53	149
2-5 Years	3,582	26	357	3,077	29	630
> 5 Years	1,813	0	0	2,011	0	0
	6,379	74	567	5,911	82	779

12. Grant Income

2006-2007 £000's	Funding Body	2007-2008 £000's
(48) Alcohol Misuse Enforcement Campaign	Home Office	0
(578) All Wales Schools Programme	Other Local Authorities	(683)
(1,053) Basic Command Unit Fund Grant	Home Office	(1,148)
(243) Building Safer Communities	Other Local Authorities	(143)
(953) Counter Terrorism/Cardiff Airport Community Support Officers & Neighbourhood Policing Grant	Home Office	(981)
(4,369) Crime Fighting Fund/Extra Officers	Home Office	(6,157)
(4,628) Criminal Justice Board	Home Office	(4,628)
(173) Dedicated Security Posts	Home Office	(172)
(1,910) Devolved Operation	Home Office	(1,505)
0 Drugs Intervention Programme	Home Office	(183)
(359) Forensic Science DNA	Home Office	(366)
(1,060) Initial Police Learning & Development (IPLDP)	Home Office	(1,060)
(444) Millennium Stadium Policing	National Police Improvement Agency	(162)
(200) National Co-ordinator Special Branch - Surveillance Team	Home Office	0
(612) Operation Safeguard	Home Office	0
(731) Police Incentivisation Fund	Home Office	(4)
(262) Princes Trust	Home Office	(1,769)
(229) Regional Asset Recovery	National Council for Education and Training	(200)
(1,046) Regional Intelligence Cell	Home Office	(1,058)
(2,438) Regional Intelligence Unit	Home Office	(3,472)
(819) Regional Task Force	Home Office	(594)
(826) Single Non Emergency Number	Other Local Authorities	(737)
(2,320) Special Priority Payments Grant	Home Office	(2,707)
(1,579) Speed Reduction Camera	Home Office	(1,579)
(2,447) Other Miscellaneous Grants (less than £150,000)	Home Office/ NAW/ Other Local Authorities	(1,774)
(804)	Various	(396)
(30,131)		(31,478)
	<u>Capital Financing Grant</u>	
(237) Loan Charges re Pre 1990 loan debt	Home Office	(209)
(237)		(209)
(30,368)		(31,687)

13. Other Income

2006-2007 £000	2007-2008 £000
(1,539) Seconded Officers	(1,519)
(500) LA Traffic Parking Schemes (Cardiff CC)	(538)
(1,008) Special Duty Charges	(697)
(381) Special Services to National Assembly	(471)
(1,129) Vehicle Recovery Scheme	(1,110)
(187) Rents	(231)
(61) Mutual Aid to other Police Forces	(62)
(426) Recovery of Costs from other Police Forces	(464)
(628) Police Cost recovered	(2,767)
(275) Training Course fees	(231)
(159) Partnership Contributions	(208)
(172) Sale of Vehicles	(206)
(213) Vetting Check Income	(253)
(167) Illegal Immigrants Income	(116)
(153) Sale of Accident Reports	(162)
(739) Other (headings less than £150,000)	(722)
(7,737)	(9,757)

14. Financing from Council Taxpayers

In accordance with the Local Government Finance Act 1992, as amended by the Police Act 1996, the South Wales Police Authority at its meeting on 12^h February 2007 resolved to issue the following precepts on the Council Tax Collection Funds of the following Local Authorities:

Precept (£) 2006-2007 £000's		Taxbase (no of Band D properties)	Precept (£) 2007-2008 £000's
	Precepts:		
16,383	Cardiff County Council	131,259.00	17,423
10,569	City and County of Swansea	84,853.00	11,264
5,898	Bridgend County Borough Council	47,156.87	6,260
2,091	Merthyr Tydfil CBC	16,683.37	2,215
5,697	Neath Port Talbot CBC	45,314.00	6,015
9,048	Rhondda Cynon Taff CBC	71,601.46	9,504
6,852	The Vale of Glamorgan Council	54,650.00	7,254
56,538		451,517.70	59,935
	Resultant Council tax payable by tax payers in each Authority area:		
£84.28	Band A		£88.49
£98.33	Band B		£103.24
£112.37	Band C		£117.99
£126.42	Band D		£132.74
£154.51	Band E		£162.24
£182.60	Band F		£191.74
£210.70	Band G		£221.23
£252.84	Band H		£265.48
£294.98	Band I		£309.73

15. Detail of Reconciling Items for the Statement of Movement on the Police Fund Balance

2006-2007 £000		2007-2008 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Police Fund Balance for the year	
(5,808)	Depreciation and impairment of fixed assets	(6,505)
3,497	Government Grants Deferred amortisation	4,115
0	Net gain/ (loss) on sale of fixed assets	311
0	Impairment to Fixed Assets	(4,140)
(157,160)	Net charges made for retirement benefits in accordance with FRS17	(162,630)
13,792	Additional Contribution to the Pension Fund	12,425
(145,679)		(156,424)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the Police Fund Balance for the year	
718	Minimum revenue provision for capital financing	1,350
3,378	Capital expenditure charged in-year to the Police Fund	2,468
35,857	Employers contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	37,309
39,953		41,127
	Transfers to or from the Police Fund Balance that are required to be taken into account when determining the Movement on the Police Fund Balance for the year	
553	Voluntary revenue provision for capital financing	0
960	Net transfer to/ or (from) earmarked reserves	1,316
1,513		1,316
(104,213)	Net additional amount required to be credited to the Police Fund balance for the year	(113,981)

16. Fixed Assets

16.1. **Movements in fixed asset valuations** during the year were as follows:

	Intangible (Software) £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Total £000
Cost				
At 1 April 2007	3,307	62,156	35,527	100,990
Additions	2,535	7,001	4,503	14,039
Less Non Enhancing Expenditure/ Impairments	(1,753)	(1,759)	(1,065)	(4,577)
Add: Assets funded from Revenue	133	0	304	437
Disposals	(115)	(824)	(1,817)	(2,756)
Revaluations	0	77	0	77
Other movements	(26)	96	456	526
At 31 March 2008	4,081	66,747	37,908	108,736
Depreciation				
At 1 April 2007	(2,106)	0	(21,664)	(23,770)
Charge for the year	(629)	(1,222)	(4,654)	(6,505)
Disposals	115	0	1,665	1,780
Revaluations	0	1,222	0	1,222
At 31 March 2008	(2,620)	0	(24,653)	(27,273)
Net Value at 1 April 2007	1,201	62,156	13,863	77,220
Net Value at 31 March 2008	1,461	66,747	13,255	81,463

16.2. Land and Building Asset Valuation

Operational Property and Police Houses were formally revalued by G.J. Nutt BSC MSc DMS FRICS, Head of Property and Regeneration of Neath Port Talbot County Borough Council on 30th March 2007 in accordance with the stated accounting policies. In addition at each year there is an interim revaluation process undertaken, which for 2007/8 confirmed that commercial property values had been maintained and residential properties had increased by 3%.

16.3. Number of Fixed Assets

2006-2007		2007-2008
1	Police Headquarters, Bridgend	1
6	Divisional Headquarters	6
89	Other Police Stations and Offices	70
4	Radio Masts	4
16	Houses for Police Officers	15
116		96
692	Vehicles	718

16.4. Capital Expenditure

Major items of capital expenditure during the year fell into the following categories:

2006-2007 £000		2007-2008 £000
	1,830 Land & Buildings	7,001
	1,800 Vehicles	2,160
	5,758 Computer Systems	3,972
	909 Communication Systems	780
	1,348 Other Equipment	126
11,645		14,039

16.5. Sources of Capital Finance

2006-2007 £000		2007-2008 £000
11,645	Total Capital Expenditure (on accrual basis)	14,039
	Add/(less):	
389	Accruals and adjustments	498
12,034	Total for Financing	14,537
	Financing:	
1,671	New Borrowing/ Loans to finance capital expenditure	1,671
2,746	Capital Grants (Home Office)	3,009
0	Capital Receipts	1,464
7,617	Direct Revenue Financing and Reserves	8,393
12,034		14,537

16.6. Future Capital Expenditure Commitments

Future expenditure commitments under capital contracts and outstanding purchase orders for capital schemes as at 31st March 2008 are as follows:

	Commitment £000
Property Schemes	11,772
Vehicles	1,153
Computer Systems	316
Communication Systems	77
	13,318

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

17. Private Finance Initiative (PFI)

The Authority has no assets recognised under a PFI arrangement and therefore has no outstanding contractual commitment with external organisations.

18. Stocks

Stock, as analysed below, has been valued at the lower of Cost or Net Realisable Value (NRV), using the valuation bases indicated:

2006-2007 £000		Basis of Valuation	2007-2008 £000
63	Petrol, Diesel & Oil	Current Value (Cost/NRV)	53
366	Clothing and Uniforms	Current Value (Cost/NRV)	452
96	Stationery and Printing Materials	Current Value (Cost/NRV)	86
38	Traffic Parts	Current Value (Cost/NRV)	34
108	Communication Parts	Weighted Average	100
671			725

19. Debtors

An analysis of debts falling due within one year is as follows:

2006-2007		2007-2008
£000		£000
761	Other Sundry Debtors	1,639
(95)	<u>Less</u> Provision for bad debts	(62)
11,494	Central Government	8,644
1,749	Local Government and Police Authorities	1,994
11	Health Authorities	11
126	Payroll Temporary Advance Payments	45
3,565	Prepayments	801
17,611		13,072

20. Short Term Investments and Deposits

Surplus cash balances generated as a result of receiving grants and other income in advance of budgeted revenue and capital payments, allow monies to be invested short term with Banks, Financial Institutions and other Local Authorities.

21. Creditors

21.1. Creditors falling due within 1 year:

2006-2007		2007-2008
£000		£000
6,657	Sundry Creditors	7,997
6,187	Central Government Departments	9,311
521	Local Government and Police Authorities	1,509
38	Health Authorities	323
330	Public Corporations	407
2,891	Pay, Overtime and Expenses	3,411
1,350	Short Term Borrowing (PWLB)	1,417
3,041	Receipts in advance (Restated from Capital Grant Reserve)	0
21,015		24,375

21.2. Other Funds and Creditor Accounts:

2006-2007		2007-2008
£000		£000
8	Police Property Act Fund	20
26	SWP Forfeiture of Drugs Money	36
479	SWP Assets and Monies pending judicial enquiries	594
846	Property Subject to Charge	962
1	Other Accounts	15
1,360		1,627

22. Long Term Borrowing

Debt repayable over 1 year:

2006-2007		2007-2008
£000		£000
11,988	Public Works Loan Board (Fixed rates)	12,242
	Maturing, as follows:	
1,313	Between one and two years	1,295
3,564	Between two and five years	3,726
4,438	Between five and ten years	7,117
2,673	More than ten years	104
11,988		12,242
1,350	Short Term Borrowing	1,417
13,338	Carrying Amount (at amortised cost)	13,659
13,799	Fair Value of Financial Instruments	14,834

Local Authorities are now required to disclose the 'Fair Value' of Financial Instruments, including assets or liabilities. The table above discloses the carrying amount or 'Amortised Cost', which excludes the value of debt repayable of less than one year, included in the creditors note above. The difference between the carrying amount and fair value, as calculated by the PWLB reflects discounts, premiums plus any accrued interest.

23. Government Grants Deferred Account

The Government Grants Deferred Account shows the amount of Capital Expenditure financed by Government Grant. A transfer is made to the Income and Expenditure Account in line with the depreciation of capital assets charged to that account.

2006-2007 £000	2007-2008 £000
(7,220) Balance brought forward	(6,469)
(2,746) Transfer from Government Grant Reserve	(6,156)
3,497 Released to Income and Expenditure Account	4,115
(6,469) Balance carried forward	(8,510)

24. Provisions

24.1. Provisions represent sums set aside in respect of liabilities known or certain to occur, but for which the timing and value are uncertain.

24.2. The following provisions are included in the Balance Sheet as at 31st March 2008, with movements passing through the Income and Expenditure Account:

	2007-2008 £000	Movement £000	2006-2007 £000
Insurance- Public Liability Claims	(1,467)	659	(2,126)
Employers Liability Costs	(439)	(132)	(307)
Employment Tribunal Claims	(305)	40	(345)
Job Evaluation Scheme	(3,187)	(852)	(2,335)
Interest on fund seizures	(118)	(118)	0
Injury Related Pension Payments	(250)	(250)	0
Other Provisions	(217)	136	(353)
	(5,983)	(517)	(5,466)

24.3. Insurance Provision (Public Liability Claims):

24.3.1. The Police Authority maintains an Insurance Provision to meet the costs of likely policy excesses and self insured risks for existing cases.

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

<u>Insured risks</u>	<u>'Self insured' risks</u>
Employers Liability above £540,000 in total and above £75,000 for individual claims	Employers Liability below £540,000 in total and below £75,000 for individual claims
Public Liability above £715,000 in total and above £75,000 for individual claims	Public Liability below £715,000 in total and below £75,000 for individual claims
Employees' Personal Accident	
Buildings- Fire, Aircraft impact, Arson, Terrorism, Storm damage above £10,000	Buildings- Storm damage below £10,000, Burst pipes, Vehicle impact damage unless recovered from third party, Vandalism.
Vehicles- Third party only	Vehicles- Accident damage unless recovered from third party
All Risks (equipment), Computer and Money	Theft of equipment
Fidelity guarantee above £100,000	Fidelity claims below £100,000

24.3.3. The Authority provides an allocation from its revenue budget to assist in meeting these costs.

24.4. **Employment Tribunal Claims** : The Authority has made an assessment of the financial liability of employment related claims.

24.5. **Job Evaluation Scheme**: As part of its workforce modernisation programme, the Force is undertaking job evaluation, which will reassess and realign the salary gradings for all Police Staff. Negotiations are currently ongoing with staff associations to agree the protocols for implementation, but it is already recognised that there will be a retrospective liability.

24.6. **Interest on fund seizures**: The authority holds third party funds, seized from individuals arrested, which are being held subject to further investigations of a criminal matter. Depending on the outcome the funds are potentially repayable with interest.

24.7. **Injury Award Pension Payments**: this provision is to reflect the potential liability of a number of cases where injury related pension payments have not been made.

24.8. **Other Provisions** : a number of other small provisions are held to recognise potential liabilities.

25. Movements on Reserves

	<u>Capital Reserves</u>				TOTAL £000
	Revaluation Reserve £000	Capital Adjustment Account £000	Capital Receipts £000	Earmarked Capital Reserves £000	
	Restated Balance as at 1 April 2007	0	(56,927)	(177)	
Net Surplus for the year	0	3,688	(1,287)	(226)	2,175
Gains or Losses credited or debited	(1,299)	(526)	0	0	(1,825)
Net amount transferred to or from other Reserves	0	(4,242)	1,464	2,778	0
Balance as at 31 March 2008	(1,299)	(58,007)	0	(21,992)	(81,298)
	<u>Revenue Reserves</u>		General Fund £000	Earmarked Reserves £000	TOTAL £000
	Balance as at 1 April 2007				
Transfers during year		(880)	(1,090)	(1,970)	
Balance as at 31 March 2008		(3,715)	(5,432)	(9,147)	
	<u>Pension Reserve/ Deficit</u>		TOTAL £000		
	Local Government Pensions £000	Police Pensions £000			
	Balance as at 1 April 2007	73,540		1,833,240	1,906,780
Movements during year	(25,860)	(225,430)	(251,290)		
Balance as at 31 March 2008	47,680	1,607,810	1,655,490		
Grand Total Revenue and Capital Reserves as at 31st March 2008				1,565,045	

26. Reconciliation of Income & Expenditure Account Surplus/Deficit to Revenue Activities Section of Cash Flow Statement

2006-2007 £000			2007-2008 £000
105,930	I & E Deficit / (Surplus)	A	113,101
	<u>Less:</u> (Non-cash transactions)		
(5,808)	Depreciation		(6,505)
3,497	Government Grants Deferred Amortisation		4,115
0	Gain or Loss on Disposal of Fixed Assets		311
0	Impairment to Fixed Assets		(4,140)
(157,160)	Net charges made for retirement benefits in accordance with FRS17		(162,630)
(389)	Movement in capital creditors		(498)
(159,860)		B	(169,347)
	<u>Add:</u> (Accruals)		
(1,759)	Provisions Decrease/(Increase)		(517)
(79)	Stocks (Decrease)/Increase		54
2,842	Debtors Increase/(Decrease)		(4,539)
(1,381)	Creditors (Increase)/Decrease		(6,370)
(766)	Other Funds/ Creditors Decrease/ (Increase)		(267)
(1,143)		C	(11,639)
	<u>Add:</u> (movement in reserves)		
35,857	Employers contributions payable to the Pensions Account		37,309
13,792	Contribution to Pension Fund		12,425
49,649		D	49,734
(5,424)	NET CASH (INFLOW)/ OUTFLOW FROM REVENUE ACTIVITIES (ITEM A less B plus, C, D)		(18,151)

27. Analysis of Net Investments, Debt and Liquid Resources

This table reconciles items in the Financing and Management of Liquid Resources sections of the Cash Flow to the appropriate figures in the balance sheet. The movement in cash and bank balances equates to the net movement on the Cashflow Statement.

	2007-2008 £000	Movement £000	2006-2007 £000
Net Investments/ Debt:			
Investments	47,625	6,325	41,300
Debt due within 1 year	(1,417)	(67)	(1,350)
Debt due after 1 year	(12,242)	(254)	(11,988)
	33,966	6,004	27,962
Liquid Resources:			
Bank Balances/ Cash and Imprest	297	1,976	(1,679)
	34,263	7,980	26,283

28. Related Party Transactions

Transactions with Central and Local Government are disclosed within relevant notes to the financial statements, including details of government grants, support services and certain pension fund transactions. Members interests are declared and recorded in the Statutory Register maintained by the Chief Executive to the Police Authority. For Police Officers and Police Staff, the appropriate Chief Officer maintains registers.

29. Police Authorities of Wales

The Police Authorities of Wales is a statutory joint committee formed in July 2007 representing the four police authorities in Wales. The strategic goal of this organisation is to develop strategic policing capabilities in Wales and to increase efficiency and effectiveness through collaboration.

The 4 police authorities have agreed to provide funding for this body and in 2007-08, South Wales Police Authority has made a contribution of £250,000. Police Authorities of Wales has produced a statement of accounts in 2007-08 and this is available on its website www.policeauthoritiesofwales.org.uk.

Pension Fund Account

Police Scheme's 2006-2007		Police Scheme's 2007-2008
	<u>Fund Account</u>	
	Contributions receivable	
	from employer	
(25,909)	Normal	(26,294)
(591)	Early retirements	(237)
(267)	Other (reimbursement of unabated pensions of '30+' police officers)	(377)
(11,583)	from members	(11,729)
	Transfers in	
(300)	Individual transfers in from other schemes	(762)
(6)	Other (recovery of pension overpayments)	0
	Benefits Payable	
39,997	Pensions	42,697
12,230	Commutations and lump sum retirement benefits'	9,106
0	Lump sum death benefits	3
	Payments to and on account of leavers	
14	Refunds of contributions	18
207	Individual transfers out to other schemes	0
13,792	Net Amount payable/ (receivable) for the year	12,425
(13,792)	Additional contribution (from)/to the Police Fund	(12,425)
0	Net Amount payable/ receivable for the year	0
	<u>Net Asset Statement</u>	
	Net current assets and liabilities	
	Current Assets	
4,839	Contribution from the Police Fund receivable	1,427
	Current Liabilities	
	Creditor – amount due to retired police officers following reassessment of lump sum payments	(1,196)
	Net	231

Notes to the Pension Fund Accounts

1. There are no investment assets of the fund. The fund is balanced to nil each year by receipt of additional contribution from the Police Fund, which in turn is reimbursed by the sponsoring department (Home Office). Or if in surplus, the Pension Fund reimburses the Police Fund in order to reimburse the sponsoring department. The Police Pension Scheme is administered and managed by a constituent local authority as a support service by Rhondda Cynon Taff County Borough Council.
2. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.
3. The amount of the additional contribution from the Police Fund includes £10.998m received, equating to an instalment of 80% of that estimated, plus a further contribution receivable of £1.427m.
4. The benefits payable includes an estimate of potential additional commutation payments of £1.196m which have arisen from an actuarial review of age and gender related factors, the costs of which will be off-set by additional grant.

Statement on Internal Control

1. Scope of Responsibility

This statement of internal control is given in respect of the statement of accounts for the South Wales Police Authority as at 31 March 2008. The South Wales Police Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used efficiently and effectively. The Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this responsibility, the Authority must ensure that there is an effective system of internal control in place, which facilitates the exercise of its functions on an efficient and effective basis and includes the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Managers within the Authority undertake development and maintenance of the system.

The system of internal control has been in place at South Wales Police Authority for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts and accords with proper practice.

3. The Risk and Control Framework

The key elements of the Authority's internal control framework are as follows:

3.1. Capacity To Handle Risk (Responsibilities):

The first element of the Authority's Risk and Control Framework is its capacity to handle risk through an effective management and control structure, incorporating clear lines of responsibility and accountability. The Force reviewed its governance arrangements during 2007/8 and changes were implemented early in the year. The Authority manages risk through the following structure:

- 3.1.1. **The Police Authority:** being responsible for ensuring that the Force functions effectively and efficiently;
- 3.1.2. **The Treasurer:** has Section 151 responsibility and provides appropriate independent advice to the Police Authority
- 3.1.3. **The Chief Constable:** being responsible for operational policing matters and the direction of police personnel;
- 3.1.4. **The GOLD Chief Officer Group:** being responsible for the facilitation of policy and decision making;
- 3.1.5. **The Planning and Performance Management Group:** being responsible for actively reviewing and reporting against the Authority's "Best Value Policing and Performance Plan";
- 3.1.6. **The Finance and Audit Group:** being responsible for ensuring that: the Force's systems and procedures promote economy, efficiency and effectiveness; the Force maintains adequate financial records and that financial statements are a true reflection of the financial position;
- 3.1.7. **Internal Audit:** being responsible for the core ongoing review of the adequacy of internal financial controls within the Authority, reporting to the Finance and Audit Group and Chief Executive.

- 3.1.8. **The Force Inspectorate:** being responsible for examining processes in Business Command Units (BCU's) and Force departments to ensure continuous improvement;
- 3.1.9. **The Human Resources Director:** being responsible for ensuring the Authority employs good personnel management systems and practices so that staff possess the right level of knowledge, skill and competence to discharge their responsibilities efficiently and effectively.
- 3.1.10. **The Appointed Auditor:** the Wales Audit Office have the statutory responsibilities for audit accounting statements, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
- 3.1.11. **HMIC (Her Majesty's Inspectorate of Constabulary):** to promote the efficiency and effectiveness of the police service, including police complaints and discipline, through inspection and their other functions.

3.2. Regulations, Policies and Procedures:

The second element of the Authority's control framework consists of the detailed framework of regulations, policies and procedures, governed through the structure described above, within which the Authority, its members, officers and staff operate. These regulations, policies and procedures include:

- 3.2.1. **The Authority's Constitution:** sets out how the Authority operates, how decisions are made, and the procedures that are to be followed to ensure that its operations are controlled, efficient, transparent and accountable to the population it serves;
- 3.2.2. **The Best Value Policing and Performance Plan:** sets out the Authority's priorities and objectives, setting targets to measure financial and other performance;
- 3.2.3. **Risk Registers:** Identified risks are fully evaluated and fully documented in the Corporate or Local Risk Register, as appropriate;
- 3.2.4. **Budget Framework and Reporting Arrangements:** provides detailed financial protocols and arrangements relating to the Authority's comprehensive budgeting system and the preparation of regular financial reports which indicate actual expenditure against forecast;
- 3.2.5. **Statutory Financial and Audit Regulations:** Provide the statutory framework within which the Authority manages and reports its finances;
- 3.2.6. **Risk Based Audit Plan:** Following appropriate standards, this forms the basis of regular ongoing reviews of financial controls by the Authority's professional Internal Audit Service;
- 3.2.7. **Departmental Annual Plans:** all BCU's and Departments submit an annual plan outlining service priorities, actions and performance measures, based upon the Police Performance Assessment Framework (PPAF) which changes to Annual Performance Assessment Community Safety (APACS) framework from April 2008.;
- 3.2.8. **The Control Strategy:** sets out the arrangements for monitoring plans and performance against those plans.

4. Review of Effectiveness

- 4.1. As Chief Executive of the South Wales Police Authority I have responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.
- 4.2. This review is necessarily informed by the work of the internal auditors and the senior officers and managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.
- 4.3. The main processes that have been applied in reviewing the effectiveness of the system of internal control include:
 - 4.3.1. A process to monitor progress towards the key strategic goals and to ensure that the management of underlying risks, both at a strategic and operational level, is satisfactory;

Glossary of Terms

AMORTISATION

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

ACCRUAL

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

AGENCY SERVICES

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

ACTUARIAL GAINS AND LOSSES

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

ASSET

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

AUDIT

An independent examination of an organisation's activities.

BALANCE SHEET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING ACCOUNT / CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL RECEIPT

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

CAPITAL RECEIPTS RESERVE

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

CASH FLOW STATEMENT

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

CURRENT SERVICE COST (PENSIONS)

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

CREDITOR

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

DEBTOR

An amount due to the authority within the accounting period but not received at the balance sheet date.

DEPRECIATION

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

EARMARKED CAPITAL RESERVES

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

FAIR VALUE

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

IMPAIRMENT

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

LEASING

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

LIABILITY

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

PAST SERVICE COST (PENSIONS)

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

POLICE FUND BALANCE

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

POLICE GRANT

The amount of Home Office grant towards the revenue requirements of the Police Authority.

POLICE CAPITAL GRANT

The amount of Home Office grant towards the approved capital expenditure programme of the Police Authority.

POLICE PROPERTY ACT FUND

This fund is set up in accordance with the Police (Disposal of Property) Regulations 1975 to receive the proceeds from the disposal of assets remaining in the possession of the Police Authority as a result of criminal investigations. After deduction of administration charges the fund can be used for such charitable purposes as the Authority may determine.

PRECEPT

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

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 an authority's day to day expenditure and income on such items as salaries and wages, running costs of services and the financing of capital expenditure.

REVENUE SUPPORT GRANT

A National Assembly for Wales administered grant paid in support of an authority's revenue expenditure.

NATIONAL NON DOMESTIC RATE (NNDR)

The NNDR, or business rate, is the charge levied on occupiers of business premises to finance a proportion of local authority 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 National Assembly for Wales.

STOCKS

Uniforms, communication equipment parts, diesel, petrol and vehicle spares are procured by the Police Authority 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 of the Authority.

TEMPORARY BORROWING/INVESTMENT

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