

# **Surrey Police and Crime Commissioner - Group**

**Statement of Accounts for  
the year 2018/19**



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# Narrative Report

## Introduction

The purpose of this narrative report is to provide a guide to the most significant matters reported in the 2018/19 Financial Statements for the Police and Crime Commissioner (PCC) for Surrey and the PCC Group. This narrative report explains the purpose of the Financial Statements and a summary of the financial activities during 2018/19 and its financial position as at 31 March 2019.

Surrey is a county in the South East of England, covering 644 square-miles, with one county council, 11 boroughs/districts and five major hospitals. It has 62 miles of motorway, including the busiest M25 stretch. Surrey's rivers include the Thames (notable flooding risk); the county is 73% greenbelt. Surrey borders the UK's busiest two airports. It is the most densely populated county in South East England with a population of 1.2 million. The Olympic legacy increased the sporting footprint, with national cycling competitions and the country's largest one-day sporting event (Epsom Derby).

The vision for Surrey Police is to make Surrey the safest it can be in which to live and work, and a welcoming place to visit. Surrey Police has a track record of successful crime reduction and problem solving activity. Building on this experience and know-how, there is an aspiration to make Surrey even safer.

Policing has become more complex; crime is changing and new demands are made of Surrey Police, this requires new ways of working along with new ways of leading. Surrey Police continues to work more closely with other forces, other agencies and with its communities to find new ways of managing demand and improving efficiency.

Two years ago, Surrey Police introduced a new policing model aimed at making the best use of its policing resource. This model has provided each of the three divisions with dedicated Area Policing Teams, responsible for responding to calls and investigating crime. In addition, specialist teams continue to investigate more serious criminality and a dedicated safeguarding unit focuses on offences against vulnerable people. Each of the 11 boroughs in Surrey has a dedicated Safer Neighbourhood Team to work with partners to address the root causes of crime and tackle those issues which can blight local communities.

The PCC for Surrey is an elected official under The Police Reform and Social Responsibility Act 2011. The Police and Crime Commissioner (PCC) is responsible for delivering an effective and efficient police service in Surrey, to oversee the work of Surrey Police, and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996.

The PCC for Surrey and the Chief Constable of Surrey are separate legal entities or 'corporation sole' bodies. Both have an individual statutory responsibility to prepare its own accounts to present fairly its operations for the financial year. The Chief Constable is a 100% subsidiary of the PCC for Surrey. The PCC and the PCC Group refers to the consolidated position for both the PCC for Surrey and the Chief Constable of Surrey.

The financial transactions under the above arrangement are broadly incurred as follows:

The PCC receives the core grant funding and precept relating to the Group, and incurs costs relating to the Office of the Police and Crime Commissioner (OPCC). The PCC funds expenditure incurred by the Chief Constable and holds the majority of the Balance Sheet transactions.

The Chief Constable incurs all operating costs (excluding those relating to the OPCC) and receives any associated operating income, the net of which is funded directly by the PCC. The Chief Constable accounts for all pension costs, including the associated pension liability that is shown in the Chief Constables Balance Sheet.

## **The Statement of Accounts**

All the financial transactions incurred during 2018/19 for policing Surrey have been recognised and recorded within this Statement of Accounts, which sets out the overall position of the PCC and the PCC Group for the year ending 31 March 2019. Where the Group position differs from the PCC position this is made clear in the statements and notes. Separate statutory accounts are prepared for the Chief Constable.

The 2018/19 Financial Statements which follow this narrative report, have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards issued by Chartered Institute of Public Finance & Accountancy (CIPFA) and comprise of:

- Movement in Reserves Statement. This statement shows the movement in the year on the different reserves held by the PCC and PCC Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce council tax) and other reserves.
- Comprehensive Income and Expenditure Statement. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from council tax. The PCC raises council tax to cover expenditure in accordance with regulations which differs from the accounting cost. Expenditure in accordance with regulation is shown in the Movement in Reserves Statement.
- Balance Sheet. This statement shows the value as at the 31st March 2019 of the assets and liabilities recognised by the PCC and PCC Group. The net assets (assets less liabilities) are matched by either usable or unusable reserves.
- Cash Flow Statement. This statement shows the changes in cash and cash equivalents of the PCC and PCC Group during the reporting period. The statement shows how the PCC and PCC Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The Financial Statements are supported by various notes to the accounts including the Accounting Policies designed to aid the reader.

## **Police & Crime Commissioner Financial Arrangements**

## Method of Funding

Funding arrangements for Police and Crime Commissioners broadly follow the arrangements for local authorities. The PCC and PCC Group gross revenue budget (or operating budget) for 2018/19, was set at £214.6m (2017/18 £213.0m). A summary of the funding sources is shown in the following table:

	2017/18 £m	2018/19 £m
Home Office Police Grants	61.3	61.2
Non Domestic Rates	28.8	28.8
Council Tax Freeze Grant	2.5	2.5
<b>Total Central Support</b>	<b>92.6</b>	<b>92.5</b>
Gross Council Tax Requirement	112.3	119.2
Council Tax Localisation Grant	6.7	6.7
General Reserves	1.4	(3.8)
<b>Total Funding</b>	<b>213.0</b>	<b>214.6</b>

All of the above is set centrally by Government, apart from the council tax requirement and use of general reserves which are set locally by the PCC prior to the start of the financial year.

In addition to the principal grants received from the Home Office, there is a range of specific grants that are targeted towards initiatives to improve the police service. Details of these grants are available in the notes to the Financial Statements.

End of year variations to the £214.6m budget (2017/18 £213.0m) are transferred to/from the PCC and PCC Group balances.

Capital expenditure is financed from government grants, contributions from third parties, capital receipts, borrowing and direct funding from the operating (revenue) budget. The detail of the financing employed in 2018/19 is shown in the Capital Expenditure and Capital Financing table. The balances held for future capital expenditure are shown in the Balance Sheet and notes to the Core Financial Statements.

## The Role of the Police and Crime Commissioner

Under the Reform and Social Responsibility Act 2011 the key financial roles for the Police and Crime Commissioner are:

- To agree the budget for Surrey Police
- Oversee how the budget is spent
- Receive funding from government grants
- Setting the annual precept

## Role of the Chief Finance Officer

The Chief Finance Officer is the professional adviser on financial matters to the PCC. The Chief Finance Officer has certain statutory duties in relation to financial administration and stewardship. Statutory responsibilities include securing the production of and signing a statement that the Statement of Accounts provide a true and fair view of the financial position, maintaining financial standing and securing an adequate and effective internal audit function.

## Operating (Revenue) Expenditure

The PCC budgeted to spend £214.6m in 2018/2019 which included increasing reserves by £3.8m. Expenditure of £214.0m (2017/18 £213.4m) was actually incurred resulting in an unplanned £0.6m increase in reserves as shown in the following table.

	£m
Gross Budget	214.6
Out-turn Expenditure	214.0
Gross Variation	0.6
To/(from) Reserves	0.6

Further information on the reserves movements for the year is shown in the Movement in Reserves Statement.

The gross revenue budget for the year is £214.6m, an increase of £1.6m compared to last year's budget of £213.0m. This report provides the revenue and capital position for the Force with the PCC budget separated out and reported elsewhere. The Force revenue budget is £212.6m against actual spend for the year of £212.0m, resulting in an underspend totalling £0.6m.

Whilst the outturn position for the year-end is underspent by £0.6m, there were overspends within pay that were offset with underspends within non-pay. The force started the year over with an over establishment for police officers which remained as such throughout the year, reducing slightly to an under establishment at the end of the year.



	2018/19		
	Actual £m	Budget £m	Variance £m
Police Payroll	105.90	100.80	5.10
Police Overtime	4.30	4.00	0.30
Staff Payroll	62.20	66.20	(4.00)
Staff Overtime	1.40	1.60	(0.20)
Agency	1.10	0.80	0.30
Training	1.20	1.40	(0.20)
Other Payroll Costs	4.20	3.60	0.60
Premises	9.70	8.90	0.80
Transport	4.90	4.30	0.60
Supplies and Services	26.72	29.17	(2.45)
Financing	2.50	1.50	1.00
Income and Grants	(12.1)	(9.7)	(2.4)
<b>Chief Constable Expenditure</b>	<b>212.02</b>	<b>212.57</b>	<b>(0.55)</b>
<b>PCC</b>	<b>1.98</b>	<b>2.03</b>	<b>(0.05)</b>
<b>Group Expenditure</b>	<b>214.00</b>	<b>214.60</b>	<b>(0.60)</b>

Detailed analysis of actual expenditure for the year ended 31 March 2019 can also be seen in the Comprehensive Income and Expenditure Statement.

The Comprehensive Income and Expenditure Statement measures the financial performance for the year in terms of resources consumed over the period and the funding provided to finance these resources. The accounting basis used is different to the statutory basis used to calculate net expenditure to be funded from local taxation in the form of council tax, as it includes non-cash elements.

The total net expenditure shown in the Comprehensive Income and Expenditure Statement includes operating income and expenditure along with adjustments for non-cash accounting transactions for depreciation, capital grants and pension costs in accordance with IAS 19 requirements. A summary of the Comprehensive Income and Expenditure Statement is shown below. The intra-group funding is a transfer between the PCC and Chief Constable accounts to offset the financial resources consumed at the request of the Chief Constable on behalf of the Group.

In line with Trade Union (Facility Time Publication Requirements) Regulations 2017 (SI 2017/328) the PCC and Chief Constable have an obligation to report annually on paid time off provided to trade union representatives for trade union duties and activities. The following details relate to 2018/19. There were 13 employees of the Chief Constable who were union officials during the period (13 full time equivalents). The total cost of this facility time was £94,589 which represents 0.12% of the total pay bill.

The following table reconciles Group operational expenditure for 2018/19 to the position reported in the Comprehensive Income and Expenditure Statement. The table summarises how the management accounts are adjusted for accounting regulations and other statutory adjustments to arrive at the deficit on provision of services as reported in the Comprehensive Income and Expenditure Statement.



	2018/2019		
	Group £m	PCC £m	CC £m
<b>Operational Delivery Net Expenditure per revenue outturn management report 2018/19</b>	<b>214.0</b>	<b>2.0</b>	<b>212.0</b>
<b>Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:</b>			
Usable Reserves	0.2	0.0	0.2
Financial year end accounting adjustments	(2.2)	0.0	(2.2)
<b>Amounts in the CIES not in the outturn report:</b>			
Depreciation & amortisation	9.0	0.0	9.0
Pensions	110.3	0.0	110.3
<b>Net Cost of Services</b>	<b>331.3</b>	<b>2.0</b>	<b>329.3</b>
Intra-group Adjustment from PCC to CC for resources consumed at the request of the Chief Constable	0.0	237.8	(237.8)
Pension Interest costs and expected return on pension assets	49.4		49.4
Loss on disposal of non current assets	0.2	0.2	0.0
Levies	0.5	0.0	0.5
Financing & investment income	(237.7)	(237.7)	0.0
<b>(Surplus) or deficit on the provision of services</b>	<b>143.7</b>	<b>2.3</b>	<b>141.4</b>
(Surplus) or deficit on revaluation of property, Plant and Equipment	87.6		87.6
Remeasurement of the net defined benefit liability/asset	(5.3)	(5.3)	
<b>Total Comprehensive Income and Expenditure</b>	<b>226.0</b>	<b>(3.0)</b>	<b>229.0</b>

### Capital Expenditure

For 2018/19 the PCC approved a capital programme totalling £10.0m, which when combined with the carry forward from 2017/18 and schemes deferred during 2017/18 gives a total capital budget of £18.4m. The Force reviewed the size of the capital programme ensuring that it was manageable over the year and, as with prior years ran a flexible programme enabling the Force to bring forward schemes or defer identified schemes into a later year. As a result some schemes were deferred, reducing the 2018/19 budget by £3.0m to £15.4m, the total 2 year capital programme remained at £18.4m, (excluding contributions). Capital expenditure for the year is £30.1m (of which £21.6m was in connection with the purchase of land for the Estate Strategy 'Building the Future') with future committed orders totalling £2.2m.

Details of actual expenditure and financing for the year are shown in the Capital Account.

### Employee Pension Schemes

The PCC Group operates two separate pension schemes, one for Police Officers and another for Police Staff. Although benefits from these schemes will not be payable until an officer or staff member retires, the PCC Group has a future commitment to make these payments and under International Accounting Standard 19 (IAS 19), the PCC Group is required to account for this future commitment based on the full cost at the time of retirement. The result of accounting for this commitment has a substantial impact on the net worth of the Balance Sheet, resulting in a negative pension reserve on the Balance Sheet totalling £2,156.9m. This figure includes an increased liability of £83.8m to reflect the potential increase in scheme liabilities estimated by our actuaries with regard to the McCloud/Sargeant case (See Note. 25). However, statutory arrangements for funding the deficit mean that the financial position of the PCC Group remains healthy.

The value of the Police Staff pension scheme is assessed triennially and the employer's contribution is adjusted in line with the actuary's recommendations. The latest triennial valuation completed in April 2016 resulted in employer's contributions being decreased in April 2017 from 17.7% to 14.5% with an increase in an additional payment to the pension fund to repay the deficit, known as the additional monetary amount.

For the police officers pension fund, the employer's contribution rate is presently set at 21.3% with an additional 2.9% payable as an additional contribution. Under current legislation, any costs that are over or under the employer's contribution are met by the Home Office or returned to them.

## Overall Financial Position

The level of available revenue balances, earmarked reserves and general reserves held by the PCC has increased by £4.2m from £13.1 m to £17.3m. The balance of £17.3m represents 7% of the 2019/20 annual budget. General Reserves are £6.8m, 2.0 % of the annual budget for 2019/20 with earmarked reserves at £10.4m.

General reserves increased as follows:

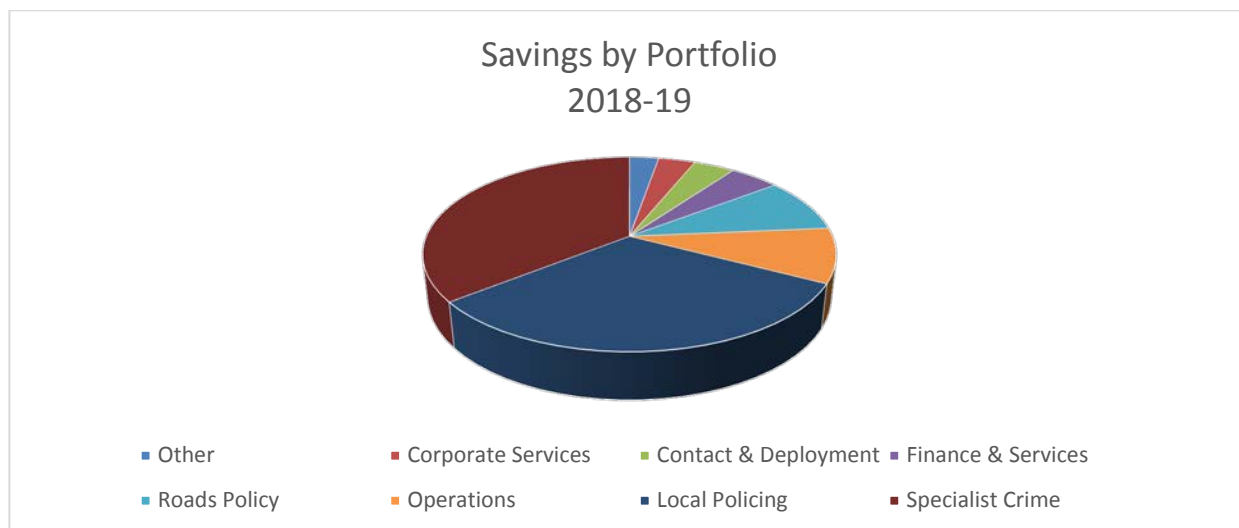
	£m
<b>Opening Balance</b>	<b>6.1</b>
Operational Underspend	0.6
Budgeted Transfer of Earmarked Reserves	-3.8
Transfer from Earmarked Reserves	3.9
<b>Closing Balance</b>	<b>6.8</b>

The earmarked reserves are held as follows: At 31 March 2019 £3.4m was held against the PCC and PCC Group's estimate of existing insurance liabilities under the current self-funded arrangements, £1.7m in Ill health reserves, £2.8m in an Estate Strategy reserve, £0.5m for an Operational reserve, £0.6m Operational reserve for the Chief Constable and £1.4m for Cost of Change.

Full details can be seen in the Income & Expenditure Account, the Balance Sheet and the associated notes.

## Further Information

Surrey Police continues to undertake significant change activity through the Policing Together programme with Sussex Police, and also with other forces in the South-East region, in order to meet the financial challenges, increase resilience and improve service delivery. The actual savings programme and budget reductions for 2018/19 totalled £5.4m shown by portfolio in the following chart.



Over the last year, the Specialist Crime Capabilities Programme and the new operating model, which delivered savings and provided opportunities for wider collaboration with the region in the future has been implemented. The next significant change underway is the implementation of a new operating model for Operations command. This will provide further savings and interoperability, whilst maintaining resilience and providing an effective service to the public of both forces.

To enable change, efficiency and innovation the implementation of a single Change Delivery function for Surrey and Sussex has been implemented to ensure that both Forces are well positioned to be able to deliver their change strategies both individually, bilaterally and within the region. This team is working ever closely with a collaborated IT department to support the increasing demand to deliver IT related programmes of work. Moving forward a newly formed Digital Division will go live, in its development it has subsumed the Digital Enablement Programme and its work on five key priorities: Mobile Data, Niche, Public Facing Digital Services (Community Messaging, Online Crime Reporting and Track My Crime), Body Worn Video and the Joint Intranet. Whilst the Force has used Mobile Data devices for a number of years a rolling programme focusses on updating these devices and enhancing their capabilities through additional interfaces. The Digital Division will also work towards supporting investigations which are increasingly requiring digital capabilities.

The majority of services within the Support Services functions are collaborated including; Procurement, Insurance, Transport, People Services, Information & Communication Technology, and Finance. Further work is ongoing to develop a Shared Business Service Centre along with the implementation of the new Enterprise Resource Planning (ERP).

Surrey Police is committed to continuous improvement in its arrangements for programme, project and financial management. As such the force is progressing a number of key initiatives and programmes, including:

**Financial Excellence:** Surrey Police is one of only 3 forces nationally to have piloted the national Chartered Institute of Public Finance and Accountancy's "Achieving Finance Excellence in Policing" programme. So far, this has included implementation of accounts closure software to enable code compliant production of statutory financial statements more promptly, development of Finance Business Partners, and an independent review of financial management arrangements.

**New Enterprise Resource Planning Solution (Equip):** Surrey Police is also currently implementing a new Enterprise Resource Planning (ERP) system with Sussex Police and Thames Valley Police. This system is planned to bring improvements to all three forces and enable consistency, better information for managing and decision making – for teams and individuals. The planned programme implementation has encountered a two year delay and a subsequent increase in the costs of implementation. A number of corrective management interventions have been carried out and the Chief Constables are currently undertaking a bespoke and detailed contractual, commercial and technical review to provide assurance of the latest revised implementation dates and project costs. In line with our governance arrangements the Chief Constables will present their plans and recommendations to the PCCs for scrutiny and approval and this is planned for the end of August 2019. The decision will be published. The internal costs incurred by Surrey during 2018/19 were £1.5m and the total cost incurred by Surrey is £3.8m to the end of 2018/19.

Regionally five police forces (Thames Valley, Hampshire, Sussex, Surrey and Kent) continue working together on counter terrorism and tackling serious and organised crime. There is a joint regional oversight board which the five PCCs chair in rotation.

A site for a new Force headquarters has been identified and purchased and will see a new operational HQ based out of Leatherhead. The project is expected to take at least four to five years to complete, including plans to dispose of current outdated and costly buildings and creating a modern and cost-effective estate that will allow the Force to meet the challenges of modern policing.

Surrey Police began piloting the National Volunteer Police Cadet (VPC) scheme in autumn 2016 and now has a number units running across the county, with plans to expand further in the future. Each of these units are led by a volunteer leadership team consisting of Police Officers, Police Staff, Special Constables and Police Support Volunteers who all give up their own time on top of their day roles to run the sessions. The scheme is designed to provide a safe environment in which young people can learn as individuals, develop positive relationships with the police and actively support their community. National objectives for the scheme include Cadets that represent the diversity of their community, an aim to recruit 25% from a vulnerable or disadvantaged background, and offering a diversionary opportunity to those who are most in need of it.

All police forces are inspected by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and during the year Surrey Police was rated overall as good for effectiveness, efficiency and legitimacy. HMIC also recognised the Force's performance in keeping people safe and reducing crime.

## **Financial Outlook**

The financial statements are prepared on the assumption that the PCC & PCC Group for Surrey Police is a going concern, meaning that it will continue to operate for the foreseeable future. The CIPFA Code states that government changes should not be seen as having a detrimental impact on a local authority continuing as a going concern. In addition to this an authority cannot be created or dissolved without statutory prescription, and accordingly must prepare their financial statements on a going concern basis of accounting.

Unusable reserves on the balance sheet include the large negative pension reserve which is mainly due to the police pension schemes being unfunded. The statutory arrangements for funding the liability mean that the PCC Group financial position remains sound.

The financial resilience and sustainability of the Force is monitored by the production and review of the medium term financial plan (MTFP). The MTFP supports the Force Business Plan incorporating all known financial and business assumptions along with developing a number of planning scenarios for consideration by the Chief Officer Group.

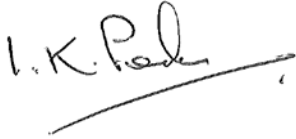
The annual revenue budget for 2019/20 was set by the PCC at £235.1m (£214.6m 2018/19). The increase over last year was possible due to the Secretary of State's statement in the House of Commons on the 13 December 2018 which announced that Police and Crime Commissioners can increase their current Band D Council Tax Precept by up to £24 (£12 2018/19) without the need to hold a referendum. The extra money will double the amount of Police Officers and PCSO's in Local Policing, providing that visible reassurance that residents rightly want to help prevent crime.

Reserves are a key part of budget setting and financial planning. The general reserves strategy for the PCC is to maintain a balance that does not fall below 3% of the budget. A number of earmarked revenue reserves are also held for specific purposes or activities. The use of general reserves assists in the medium term financial planning to mitigate any short term predicted funding gaps. Estimated reserves as per the Home Office classifications are shown on the table below, with the full reserves strategy being available on the PCC's website.

*estimated	2019/20 £m*	2020/21 £m*	2021/22 £m*	2022/23 £m*
Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan	0.8	0.7	0.1	0.0
Funding for specific projects and programmes beyond the current planning period	6.7	6.7	6.7	6.7
As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management	6.7	6.8	6.9	6.9
<b>Total</b>	<b>14.2</b>	<b>14.2</b>	<b>13.7</b>	<b>13.6</b>

Following Article 50 being triggered to end the UK's membership of the European Union (EU), there remains a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. There could be an impact on property valuations if confidence in the wider UK property market falls; and the valuation of Surrey Police officer and staff defined benefit pension obligations may also be affected in the future.

Details of the PCC's plans for revenue and capital expenditure in 2019/20 budget can be found in the Surrey Police and Crime Commissioner's Precept Setting proposal. Whilst the annual budget is agreed by the PCC it is scrutinised by the Police and Crime Panel before a final decision is made. Copies of the documents can be obtained from the Office of the Police and Crime Commissioner for Surrey by telephoning: 01483 630200, or from the website at [www.surrey-pcc.gov.uk](http://www.surrey-pcc.gov.uk).

A handwritten signature in black ink, appearing to read 'I. K. Perkin', with a long horizontal stroke underneath.

**Ian Perkin, Treasurer of the Police and Crime Commissioner**

**Date: 31 July 2019**



## INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR SURREY

### Opinion

We have audited the financial statements of the Police and Crime Commissioner for Surrey for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Surrey and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Surrey and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Surrey and Group Balance Sheet;
- Police and Crime Commissioner for Surrey and Group Cash Flow Statement;
- Police Pensions Fund Account Statements; and
- related notes 1 to 36 and Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Surrey and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Police and Crime Commissioner for Surrey and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The other information comprises the information included in the "Statement of Accounts for the year 2018/19", other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

### **Arrangements to secure economy, efficiency and effectiveness in the use of resources**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Surrey put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Responsibility of the Treasurer**

As explained more fully in the "Statement of Responsibilities" set out on page 18, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.



In preparing the financial statements, the Treasurer is responsible for assessing the Police and Crime Commissioner'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 the Police and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the audit of the financial statements**

Our 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 our 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.

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

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Surrey in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## Use of our report

This report is made solely to Police and Crime Commissioner for Surrey, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for Surrey, for our audit work, for this report, or for the opinions we have formed.

Mark Hodgson

Ernst & Young LLP

Date... 31 July 2018

Mark Hodgson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Cambridge

*The maintenance and integrity of the Police and Crime Commissioner for Surrey web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

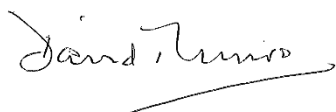
## Statement of Responsibilities

### The Responsibilities of the Police and Crime Commissioner for Surrey

The Police and Crime Commissioner is required:

- To make arrangements for the proper administration of the Office of the Police and Crime Commissioner's financial affairs and to ensure that one of its officers (the Treasurer) has the responsibility for the administration of those affairs.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

I approve these Statement of Accounts for the year ended 31 March 2019.



**David Munro**  
Police and Crime Commissioner for Surrey

Date: 31 July 2019

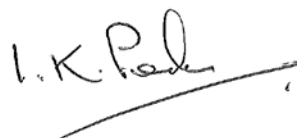
### The Responsibilities of the Treasurer

The Treasurer is responsible for the preparation of the Statement of Accounts for the Office of the Police and Crime Commissioner 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 Treasurer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.
- 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 gives a true and fair view of the financial position of the Office of the Police and Crime Commissioner for Surrey and the Surrey Police Group at the accounting date and the income and expenditure for the year ended 31 March 2019.



**Ian Perkin**  
Treasurer of the Police and Crime Commissioner

Date: 31 July 2019

# Annual Governance Statement

## 1. Introduction

- 1.1 This annual governance statement sets out how the Surrey Police & Crime Commissioner (PCC) and Office of the Police & Crime Commissioner (OPCC) have complied with the corporate governance framework set out in the Scheme of Governance for Surrey in place for the year ended 31 March 2019.
- 1.2 It is designed to complement the annual governance statement of Surrey Police, to give the full picture of governance.
- 1.3 This statement has been informed by a review of current governance arrangements, looking at how the PCC and OPCC comply with the seven principles of the Code of Corporate Governance. It has also taken into account commentary from audit inspections and external review.
- 1.4 All PCCs are required by the Accounts and Audit (England) Regulations 2011 to produce an annual governance statement which must accompany the statement of accounts. This requirement is reflected in The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (Chartered Institute of Public Finance & Accountancy, CIPFA).

## 2. Scope of Responsibility

- 2.1 The respective roles of PCCs, Chief Constables and Police & Crime Panels are detailed in the statutory instrument, Policing Protocol Order 2011. This cites that the PCC is responsible for the 'totality of policing' within Surrey. The over-arching key responsibilities of the PCC are:
  - To secure the maintenance of an efficient and effective police force for the area
  - To hold the Chief Constable to account for the exercise of his or her functions
  - Wider powers in relation to working with and bringing together community safety and criminal justice partners
- 2.2 The Chief Constable retains operational control of the Force in governance arrangements, which must not be fettered by the PCC.
- 2.3 David Munro was elected as PCC for Surrey in May 2016. Mr Munro is supported by a small team of staff who form the Office of the Surrey Police & Crime Commissioner. The team structure is set out on the PCC's [website](#). The OPCC is responsible for ensuring that the PCC's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 2.4 In discharging this overall responsibility, the Surrey OPCC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and for the management of risk.

### 3. The Governance Framework: Scheme of Governance

3.1 Surrey OPCC has approved and adopted a [Scheme of Governance](#) which is consistent with the principles of the CIPFA Framework, 'Delivering Good Governance'. The Scheme shows how the OPCC complies with the principles of 'good governance' as defined by CIPFA and sets out the arrangements in place for effective governance and financial management. It comprises a number of elements, including:

- Code of Corporate Governance: *how the PCC and Chief Constable achieve the core principles of 'good governance'*
- Framework of Decision-Making and Accountability: *how the PCC makes/publishes key decisions and holds the Chief Constable to account*
- Scheme of Delegation: *key roles of the PCC and those functions delegated to others*
- Memorandum of Understanding: *setting out the cooperative arrangements between the PCC and Chief Constable for the provision of business support and administration.*
- Financial Regulations: *the framework for managing the PCC's financial affairs*
- Contract Standing Orders: *rules for the procurement of goods, works and services*

The scheme is reviewed annually in tandem with Surrey Police, Sussex Police and Sussex OPCC.

3.2 A copy of the Scheme and its component parts is available on the PCC's website or can be obtained from the Office of the Police & Crime Commissioner, Mount Browne HQ, Guildford GU3 1HR. This Annual Governance Statement explains how Surrey OPCC has complied with the Scheme during the year 2018-19.

3.3 The various elements of the Scheme of Corporate Governance set out the systems and processes, culture and values by which Surrey OPCC is directed and controlled and the activities it undertakes to engage with and be accountable to local communities. It enables the OPCC to monitor the achievement of the PCC's strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

3.4 The systems of internal control are a significant part of the Scheme and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The PCC has on-going processes designed to identify and prioritise risks to the achievement of the OPCC's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

3.5 Below, we set out how the OPCC demonstrates the seven principles of good governance in policing, as defined by the CIPFA Guidance Notes for Policing Bodies in England and Wales (2016 Edition).

#### **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law:**

To achieve this principle, the PCC has:

- Ensured that the **Code of Ethics** is embedded in the organisation, as recognised by the most recent HMICFRS Legitimacy inspection (December 2017)
- Been briefed on the Code of Ethics and signed up to an [Ethical Checklist](#)

- Linked the [Police & Crime Plan](#) to the Force's 'Plan on a Page' to ensure shared values are communicated clearly across the organisation
- Signed up to a [Concordat](#) with the Chief Constable, aligned to the Policing Protocol Order 2011, requiring abidance to the Seven Principles of Public Life (the Nolan Principles). The concordat highlights the expectation that the relationship between PCC and Chief Constable will be based on the principles of goodwill, professionalism, openness and trust
- Taken the **Oath of Office** on the day of election
- Signed up to a voluntary [Code of Conduct](#)
- Published [Registers of interests](#) and records of gifts, hospitalities and expenses for the PCC, Chief Officers and relevant staff and shared these with the Audit Committee
- Ensured that all staff have clear objectives and up-to-date Performance Development Reviews (PDRs) and job descriptions
- As part of his **governance arrangements**, put in place a regular performance meeting which allows the PCC to hold the Chief Constable to account against the priorities of the Police & Crime Plan
- Provided responses to all HMICFRS reports which make a recommendation for Surrey or the police service nationally
- Kept **Anti-fraud and corruption policies** up-to-date and under review by the Audit Committee
- Ensured that the OPCC has an up-to-date [Freedom of Information](#) Act **Publication Scheme** and is compliant with new requirements for the General Data Protection Regulations
- Put **Whistle-blowing** policies in place that are published and subject to review by the Audit Committee
- Published policies and procedures on [complaints](#) on our website
- Put in place arrangements for the **oversight of professional standards** and dip checking of complaints files
- Commenced a review of arrangements for the **handling of complaints** in light of new Provisions in the Policing and Crime Act 2017 coming into effect in 2019
- Run an effective [Independent Custody Visitors Scheme](#) which ensures the welfare of those detained in police custody and subjected the scheme to peer assessment
- Taken on a **national portfolio lead** for issues of equality, diversity and human rights
- Employed a Chief Executive who undertakes the responsibilities of **Monitoring Officer**

## **Principle B: Ensuring openness and comprehensive stakeholder engagement:**

To achieve this principle, the PCC has:

- Published his **Police & Crime Plan** which clearly sets out the strategic direction and objectives for Surrey and how they will be delivered
- Published an **Annual Report** against his plan which was approved by the Police & Crime Panel
- Undertaken a **survey** prior to setting the council tax precept (which received an unprecedented level of response and support) and published results on his website

- *Initiated plans for a **series of public engagement events** to determine public views on the allocation of additional resource which will be funded via the increase in council tax precept*
- *Fostered good working relationships with the **Police & Crime Panel**, constituent local authorities and other partners*
- *Made a series of visits to a wide range of partner organisations, community groups and residents associations*
- *Written a **communication and engagement strategy** to set out how local people will be involved to ensure they are part of decision-making, accountability and future direction*
- *Developed an accessible and engaging **public website** and social/digital media channels*
- *Held regular [webcast performance meetings](#) which can be viewed by the public with papers published on the OPCC's website*
- *Discharged his statutory, reciprocal duty with responsible authorities to co-operate to reduce crime, disorder and re-offending through good governance arrangements with partner agencies*
- *Provided chairmanship of the Local Criminal Justice Partnership and Community Safety Board and put in place a **protocol** to set out how these boards will work in partnership with other strategic county-wide boards*
- *Engaged with **partnerships** at a national level (e.g. taken a national lead on equality and diversity issues), at a regional level (e.g. South East collaboration board) as well as at a local level*
- *Signed up to a number of **Collaboration agreements** to set out those areas of business to be undertaken jointly with other Forces and Local Policing Bodies*
- *Concluded work on the future governance of [Fire & Rescue services](#) and engaged all key stakeholders on this matter*
- *Responded to **national consultations** where appropriate, for example through the Association of PCCs*
- *Published a **commissioning and grants strategy** to set the framework for how he will focus resources and work with partners and a [funding hub](#) to provide information on how monies have been spent*
- *Played an active role in the **Independent Advisory Group** and taken a national lead on issues around equality and diversity*

### **Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

To achieve this principle, the PCC has:

- *Ensured that the Force's **Vision and Mission** document is used as a basis for corporate and service planning and is linked to the Police & Crime Plan*
- *Established **performance measures** and governance structures that allow the PCC and Surrey Police to assess progress against their objectives*
- *Kept the **Medium Term Financial Plan** under regular review*

- Ensured that reviews of **capital investment** plans are undertaken to achieve appropriate lifespans and adaptability for future use
- Sought assurance that projects are subject to sound **business cases** with appropriate 'gateway' sign-off points
- Subjected key strategic projects, e.g. the ERP system and estates strategy, to specific and expert oversight arrangements
- Commissioned and developed **services for victims** and communities that are informed by needs analysis
- Developed partnerships between Surrey Police and private and public sector partners to jointly tackle problems, for example promoting partnership working in tackling Modern Slavery
- Initiated an **efficiency review** of Surrey Police and the OPCC

#### **Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes:**

To achieve this principle, the PCC has:

- Undertaken an annual review of the **corporate governance framework** and key high level governance documents and subjected compliance with these documents to audit
- Agreed a **Memorandum of Understanding** to set out the information and service requirements needed by the PCC and provided by the Force
- Maintained a **Medium Term Financial Strategy**
- Ensured that processes are in place to allow proper **analysis and evaluation of plans** including option appraisal, assessing the impact of alternative approaches and benefits realisation
- Overseen **workforce development and asset management plans** (e.g. estates and ICT)
- Ensured that the Force and OPCC have **business plans** in place
- Published a **forward plan** of decisions
- Kept **Risk Management** policies under review, with assurances from the Audit Committee
- Included a set of **performance aspirations** to be monitored at performance meetings
- Placed particular **focus on areas of underperformance**, e.g. 101 call handling, handling of unauthorised encampments

#### **Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

To achieve this principle, the PCC has:

- Appointed a **Chief Constable**, in accordance with guidance from the College of Policing, set clear objectives for this role and assessed performance against these
- Overseen the Force's **People Plan**
- Ensured that **talent and succession plans** are in place
- Reviewed the Force's preparations for new initiatives such as Apprenticeships and the Police Constable Degree (PCDA) programme



- Given staff of the Force and OPCC access to **learning and development resources** and encouraged a focus on Continuous Professional Development
- Analysed feedback from **staff well-being surveys**
- Kept a check on the Force's approach to **reward** that aims to attract and retain the best people with the most appropriate skills
- Ensured that policies for **Equality and Diversity** set out how the OPCC/Force will promote diversity by recognising, valuing and respecting the different contributions and needs of both communities and staff

## **Principle F: Managing risks and performance through robust internal control and strong public financial management**

To achieve this principle, the PCC has:

- Put in place a **Risk Management Strategy** that allows the Force and OPCC to identify and manage operational, strategy and project risks
- Maintained a **Risk Register and Assurance Framework** for the OPCC
- Received advice from the [Joint Audit Committee](#) which continues to provide **external scrutiny** of strategic risks and which operates in line with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and within the guidance of the Financial Management Code of Practice
- Subjected decisions to scrutiny by the **Police & Crime Panel**
- Reviewed the overarching **Scheme of Governance** which highlights the parameters for decision making, including the arrangements for governance, delegations, consents, financial limits for specific matters and standing orders for contracts
- Ensured that **Annual Governance Statements** are produced for the Force and OPCC
- Ensured that an effective **internal audit** service has been resourced and that internal audit plans and reports are informed by and scrutinised by the Audit Committee
- Engaged with the **External audit** service, whose reports are scrutinised by the Audit Committee
- Put in place and published **Data protection** policies and implemented arrangements in May 2018 for the new **General Data Protection Requirements**
- Received assurances from HMICFRS around Force **efficiency and effectiveness**
- Received regular **budget monitoring** reports
- Approved a **treasury management** strategy
- Been represented at force meetings where data quality issues are discussed
- Put in place and tested **business continuity plans**
- Ensured that The PCC and Chief Constable abide by the **CIPFA Financial Management Code of Practice**

## **Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

To achieve this principle, the PCC has:

- Held the **Chief Constable to account** on a regular basis at performance meetings, with some of these being webcast so they are publicly available, with papers and minutes published
- Been commended for compliance with the Local Policing Bodies Specified Information Order 2011 which determines which information should be **published on the OPCC website**
- Ensured that the Force and OPCC publish their respective **Statement of Accounts** and Annual Governance Statements
- Ensured compliance with the CIPFA Statement on the Role of the Head of Internal Audit (2010)
- Published [all key decisions](#) on his website
- Reviewed his **decision-making practices** which are clearly set out in the Framework of Decision-Making and Accountability

#### 4. Review of Effectiveness

- 4.1 The PCC must ensure the effectiveness of the governance framework, including the system of internal audit and control.
- 4.2 Assessments and recommendations made by the internal and external auditors and other review agencies are kept under review by the OPCC and at meetings of the Joint Audit Committee.
- 4.3 The Joint Audit Committee has been consulted on the development of the annual governance statement.
- 4.4 A process is established to ensure the Chief Constable and Surrey PCC, approve and sign off their respective annual governance statements, in accordance with the CIPFA guidance.

#### 5. Internal Audit opinion

- 5.1 For the 12 months ended 31 March 2019, the Head of Internal Audit opinion for Surrey Police is as follows:

The organisation has an adequate and effective framework for risk management, governance and internal control. However, the work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Governance - We completed a review of Governance which focussed on the processes around the Scheme of Governance. We agreed three medium and two low priority actions in relation to this area. The Force and OPCC can take reasonable assurance from this review. The Governance report was finalised in April 2019.

Risk Management - We completed a review of Risk Management and found that the core elements of a risk management framework were in place and largely operating as intended. We noted that continuing efforts are being made to fully implement the intended processes where these were not fully complied with (e.g. to encourage regular risk updates as required by the Surrey Police and OPCC risk management policy) but that these efforts were not effective, in particular relating to review and update of risks

by risk owners. We agreed two medium and one low priority action in relation to this review. The Force and OPCC can take reasonable assurance from this review. The Risk Management report was finalised in April 2019.

Furthermore, through attendance at the Joint Audit Committee we confirmed the organisations' risk management arrangements continued to operate effectively and were adequately reported and scrutinised by committee members.

Control - To date, we have undertaken nine audits of the control environment that resulted in formal assurance opinions. These nine reviews concluded with one no assurance (negative) opinion, six reasonable (positive) assurance and two substantial assurance (positive) opinion. We identified the organisations had established controls frameworks in place for a number of the audits undertaken, however improvements in their application were required in a number of areas.

The Force and OPCC cannot take any assurance from our review of Uniform and Small Assets. We identified significant issues across the core of the processes relating to both issuing of and receipting back Uniforms. This included issues identified in every test completed in relation to compliance testing of Uniform, as well as control design problems with the management of inventory and receipting of Uniforms. Furthermore, with the shared stores now operating between Surrey and Sussex Police the spreadsheet systems used to monitor activities were no longer fit for purpose. We agreed two high and three medium priority actions.

The Force and OPCC can take reasonable assurance from our review of Gifts and Hospitality, Evidential Property, Financial Feeders, Risk Management and Governance. The Force and OPCC can take substantial assurance from our review of Police Officer Allowances and no actions were agreed as a result of this review.

Additionally, we have completed Advisory reviews of Financial Governance – Follow Up and Victim Support (finalised April 2019). The Financial Governance – Follow Up found 11 of the 16 actions raised previously were fully implemented with two ongoing and the remaining three yet to be implemented. Our review of Victim Support found elements covered in the audit scope had been addressed in the design and (pre-delivery) implementation of the service but that the planned for post-implementation review should be completed as intended.

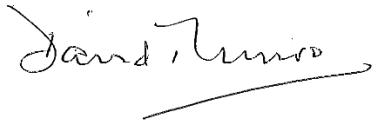
We have also completed a follow up audit, where we have issued a poor progress opinion, concluding that a number of actions previously agreed have either not been implemented, or at still in progress.

## **6. Compliance with CIPFA's Statement on the Role of the Chief Financial Officer (CFO)**

The PCC and Chief Constable must both have a suitably qualified CFO with defined responsibilities and powers. The CIPFA Statement requires that the CFO should be a professionally qualified accountant, report directly to the PCC or the Chief Constable (depending on the specific CFO concerned) and be a member of their respective leadership teams. In the OPCC, the role of the CFO meets these requirements. In Surrey Police, the CFO holds the title of Executive Director of Commercial and Financial Services and is a key member of the Chief Constable's leadership team. The CFO has direct access to the Chief Constable on financial matters however reports to the Deputy Chief Constable. This is consistent with other Surrey Chief Officers who report to either the Chief Constable or the Deputy Chief Constable.

## 7. Certification

- 7.1 This statement has been prepared on the basis of the review of effectiveness of governance arrangements. It represents a fair and reasonable assessment of current arrangements.



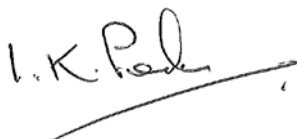
**David Munro**

Police & Crime Commissioner for Surrey **Date:** 31 July 2019



**Lisa Herrington**

Chief Executive, Office of the PCC for Surrey **Date:** 31 July 2019



**Ian Perkin**

Chief Finance Officer, Office of the PCC for Surrey **Date:** 31 July 2019

## Movement in Reserves Statement

### Group

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2018</b>	(6,147)	(6,907)	(13,054)	(8,806)	(1,602)	<b>(23,462)</b>	1,831,824	<b>1,808,362</b>
<b>Movement in reserves during 2018/19</b>								
Surplus or deficit on the provision of services	143,644		143,644			<b>143,644</b>		<b>143,644</b>
Other Comprehensive Income / Expenditure							82,364	<b>82,364</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>143,644</b>	<b>0</b>	<b>143,644</b>			<b>143,644</b>	<b>82,364</b>	<b>226,008</b>
Adjustments between accounting basis and funding basis under regulations	(147,843)		(147,843)	4,810	285	<b>(142,748)</b>	142,748	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(4,199)</b>	<b>0</b>	<b>(4,199)</b>	<b>4,810</b>	<b>285</b>	<b>896</b>	<b>225,112</b>	<b>226,008</b>
Transfers to / from Earmarked Reserves	3,534	(3,534)	0			<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2018/19</b>	<b>(665)</b>	<b>(3,534)</b>	<b>(4,199)</b>	<b>4,810</b>	<b>285</b>	<b>896</b>	<b>225,112</b>	<b>226,008</b>
<b>Balance at 31 March 2019</b>	<b>(6,812)</b>	<b>(10,441)</b>	<b>(17,253)</b>	<b>(3,996)</b>	<b>(1,317)</b>	<b>(22,566)</b>	<b>2,056,936</b>	<b>2,034,370</b>

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2017</b>	(8,700)	(6,386)	(15,086)	(11,229)	(905)	<b>(27,220)</b>	1,788,133	<b>1,760,913</b>
<b>Movement in reserves during 2017/18</b>								
Surplus or deficit on the provision of services	64,964		64,964			<b>64,964</b>		<b>64,964</b>
Other Comprehensive Income / Expenditure							(17,515)	<b>(17,515)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>64,964</b>	<b>0</b>	<b>64,964</b>			<b>64,964</b>	<b>(17,515)</b>	<b>47,449</b>
Adjustments between accounting basis and funding basis under regulations	(62,932)		(62,932)	2,423	(697)	<b>(61,206)</b>	61,206	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>2,032</b>	<b>0</b>	<b>2,032</b>	<b>2,423</b>	<b>(697)</b>	<b>3,758</b>	<b>43,691</b>	<b>47,449</b>
Transfers to / from Earmarked Reserves	521	(521)	0			<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2017/18</b>	<b>2,553</b>	<b>(521)</b>	<b>2,032</b>	<b>2,423</b>	<b>(697)</b>	<b>3,758</b>	<b>43,691</b>	<b>47,449</b>
<b>Balance at 31 March 2018</b>	<b>(6,147)</b>	<b>(6,907)</b>	<b>(13,054)</b>	<b>(8,806)</b>	<b>(1,602)</b>	<b>(23,462)</b>	<b>1,831,824</b>	<b>1,808,362</b>

OPCC

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018</b>	(6,147)	(6,907)	(13,054)	(8,806)	(1,602)	<b>(23,462)</b>	(97,003)	<b>(120,465)</b>
<b>Movement in reserves during 2018/19</b>								
Surplus or deficit on the provision of services	2,254		2,254			<b>2,254</b>		<b>2,254</b>
Other Comprehensive Income / Expenditure							(5,256)	<b>(5,256)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>2,254</b>	<b>0</b>	<b>2,254</b>			<b>2,254</b>	<b>(5,256)</b>	<b>(3,002)</b>
Adjustments between accounting basis and funding basis under regulations	(6,452)		(6,452)	4,810	285	<b>(1,357)</b>	1,357	<b>0</b>
Other Reserve Transfers	0					<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(4,199)</b>	<b>0</b>	<b>(4,199)</b>	<b>4,810</b>	<b>285</b>	<b>896</b>	<b>(3,898)</b>	<b>(3,002)</b>
Transfers to / from Earmarked Reserves	3,534	(3,534)	0			<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2018/19</b>	<b>(665)</b>	<b>(3,534)</b>	<b>(4,199)</b>	<b>4,810</b>	<b>285</b>	<b>896</b>	<b>(3,898)</b>	<b>(3,002)</b>
<b>Balance at 31 March 2019</b>	<b>(6,812)</b>	<b>(10,441)</b>	<b>(17,252)</b>	<b>(3,996)</b>	<b>(1,317)</b>	<b>(22,565)</b>	<b>(100,902)</b>	<b>(123,467)</b>

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2017</b>	(8,700)	(6,386)	(15,086)	(11,229)	(905)	<b>(27,220)</b>	(81,251)	<b>(108,471)</b>
<b>Movement in reserves during 2017/18</b>								
Surplus or deficit on the provision of services	7,759		7,759			<b>7,759</b>		<b>7,759</b>
Other Comprehensive Income / Expenditure							(19,753)	<b>(19,753)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>7,759</b>	<b>0</b>	<b>7,759</b>			<b>7,759</b>	<b>(19,753)</b>	<b>(11,994)</b>
Adjustments between accounting basis and funding basis under regulations	(5,727)		(5,727)	2,423	(697)	<b>(4,001)</b>	4,001	<b>0</b>
Other Reserve Transfers	0					<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>2,032</b>	<b>0</b>	<b>2,032</b>	<b>2,423</b>	<b>(697)</b>	<b>3,758</b>	<b>(15,752)</b>	<b>(11,994)</b>
Transfers to / from Earmarked Reserves	521	(521)	0			<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2017/18</b>	<b>2,553</b>	<b>(521)</b>	<b>2,032</b>	<b>2,423</b>	<b>(697)</b>	<b>3,758</b>	<b>(15,752)</b>	<b>(11,994)</b>
<b>Balance at 31 March 2018</b>	<b>(6,147)</b>	<b>(6,907)</b>	<b>(13,054)</b>	<b>(8,806)</b>	<b>(1,602)</b>	<b>(23,462)</b>	<b>(97,003)</b>	<b>(120,465)</b>



# Comprehensive Income and Expenditure Statement

## Group

2017/18				2018/19			
Expenditure	Income	Net		Expenditure	Income	Net	
£000	£000	£000	Notes	£000	£000	£000	
125,498	0	125,498	Police Payroll	209,450	0	209,450	
6,276	0	6,276	Police Overtime	4,270	0	4,270	
71,899	0	71,899	Staff Payroll	73,455	0	73,455	
1,853	0	1,853	Staff Overtime	1,454	0	1,454	
1,526	0	1,526	Agency	1,048	0	1,048	
1,862	0	1,862	Training	1,170	0	1,170	
1,488	0	1,488	Other Payroll Costs	1,814	0	1,814	
8,397	0	8,397	Premises	9,774	0	9,774	
28,481	0	28,481	Supplies and Services	28,741	0	28,741	
3,455	0	3,455	Transport	4,475	0	4,475	
7,397	0	7,397	Depreciation	8,879	0	8,879	
0	(11,614)	(11,614)	Income	0	(13,228)	(13,228)	
0	0	0	Rounding	(1)	0	(1)	
<b>258,132</b>	<b>(11,614)</b>	<b>246,518</b>	<b>Cost of Services</b>	<b>344,529</b>	<b>(13,228)</b>	<b>331,301</b>	
<b>258,132</b>	<b>(11,614)</b>	<b>246,518</b>	<b>Net Cost of Services</b>	<b>344,529</b>	<b>(13,228)</b>	<b>331,301</b>	
938	(399)	539	33 Other Operating Expenditure	731	0	731	
56,627	(7,186)	49,441	32 Financing and Investment Income and Expenditure	57,184	(7,870)	49,314	
0	(231,534)	(231,534)	08 Taxation and Non Specific Grant Income	0	(237,702)	(237,702)	
<b>315,697</b>	<b>(250,733)</b>	<b>64,964</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>402,444</b>	<b>(258,800)</b>	<b>143,644</b>	
		(19,753)	Surplus or deficit on revaluation of Property, Plant and Equipment			(5,256)	
		2,238	25 Remeasurement of the net defined benefit liability / asset			87,620	
		<b>(17,515)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>82,364</b>	
		<b>47,449</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>226,008</b>	

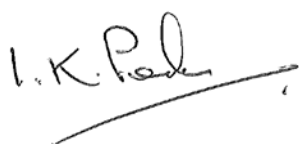
OPCC

2017/18			2018/19		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
0	0	0	0	0	0
0	0	0	0	0	0
810	0	810	812	0	812
12	0	12	17	0	17
0	0	0	0	0	0
6	0	6	1	0	1
10	0	10	13	0	13
49	0	49	52	0	52
2,405	0	2,405	2,444	0	2,444
16	0	16	16	0	16
0	0	0	0	0	0
0	(1,370)	(1,370)	0	(1,367)	(1,367)
10244	(10,244)	0	11860	(11,860)	0
		provided by the Chief Constable			
<b>13,552</b>	<b>(11,614)</b>	<b>1,938</b>	<b>15,215</b>	<b>(13,227)</b>	<b>1,988</b>
		<b>Cost of Services</b>			
237,550	0	237,550	237,835	0	237,835
		Intra-Group Funding Transfer			
<b>251,102</b>	<b>(11,614)</b>	<b>239,488</b>	<b>253,050</b>	<b>(13,227)</b>	<b>239,823</b>
		<b>Net Cost of Services</b>			
326	(400)	(74)	276	0	276
		Other Operating Expenditure			
0	(122)	(122)	70	(213)	(143)
		Financing and Investment Income and Expenditure			
0	(231,534)	(231,534)	0	(237,702)	(237,702)
		Taxation and Non Specific Grant Income			
<b>251,428</b>	<b>(243,669)</b>	<b>7,759</b>	<b>253,396</b>	<b>(251,142)</b>	<b>2,254</b>
		<b>Surplus or Deficit on Provision of Services</b>			
		(19,753)			(5,256)
		Surplus or deficit on revaluation of Property, Plant and Equipment			
		0			0
		Remeasurement of the net defined benefit liability / asset			
		<b>(19,753)</b>			<b>(5,256)</b>
		<b>Other Comprehensive Income and Expenditure</b>			
		<b>(11,994)</b>			<b>(3,002)</b>
		<b>Total Comprehensive Income and Expenditure</b>			

## Balance Sheet

31 March 2018				31 March 2019				
OPCC		Group			OPCC		Group	
£000	£000	Notes		£000	£000			
99,970	99,970	11	Property, Plant and Equipment	124,417	124,417			
2,769	2,769	12	Intangible Assets	3,544	3,544			
897	897	30	Long-Term Debtors	864	864			
<b>103,636</b>	<b>103,636</b>		<b>Long Term Assets</b>	<b>128,825</b>	<b>128,825</b>			
0	0	15	Assets Held for Sale	0	0			
353	353		Inventories	468	468			
20,594	21,200	13	Short-Term Debtors	21,166	21,276			
19,086	19,086	14	Cash and Cash Equivalents	14,476	14,476			
<b>40,033</b>	<b>40,639</b>		<b>Current Assets</b>	<b>36,110</b>	<b>36,220</b>			
(22,258)	(22,860)	16	Short-Term Creditors	(25,112)	(26,021)			
(946)	(1,552)	17	Provisions	(720)	(829)			
<b>(23,204)</b>	<b>(24,412)</b>		<b>Current Liabilities</b>	<b>(25,832)</b>	<b>(26,850)</b>			
0	0		Long-Term Borrowing	(15,635)	(15,635)			
0	(1,928,225)	25	Other Long-Term Liabilities	0	(2,156,930)			
<b>0</b>	<b>(1,928,225)</b>		<b>Long Term Liabilities</b>	<b>(15,635)</b>	<b>(2,172,565)</b>			
<b>120,465</b>	<b>(1,808,362)</b>		<b>Net Assets</b>	<b>123,468</b>	<b>(2,034,370)</b>			
(23,462)	(23,462)	18	Usable Reserves	(22,566)	(22,566)			
(97,003)	1,831,824	19	Unusable Reserves	(100,902)	2,056,936			
<b>(120,465)</b>	<b>1,808,362</b>		<b>Total Reserves</b>	<b>(123,468)</b>	<b>2,034,370</b>			

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Police and Crime Commissioner and Chief Constable Group of Surrey at the accounting date and of the income and expenditure for the year ended 31 March 2019. These financial statements replace the unaudited financial statements certified on 30 May 2019.



Ian Perkin, Treasurer of the Police and Crime Commissioner

Date: 31 July 2019

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the of the Group and the Police and Crime Commissioner during the reporting period.

The statement shows how the Group 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 of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's 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) to the Group.

The Chief Constable does not have any cash-flows for the year, since all payments were made from the Police Fund which is held by the Police and Crime Commissioner for Surrey (PCC). Similarly all income receipts and funding are received by the PCC during the year. The financial consequences of the operational activities do impact on the net surplus/deficit on the provision of services and adjustments to that net surplus/deficit on provision of services for non-cash movements.

Separate statements for the Group and the PCC have therefore been included to reflect the intra-group adjustments with the Chief Constable's operational activities.

2017/18			2018/19	
OPCC	Group		OPCC	Group
£000	£000		£000	£000
7,758	64,964	Net (surplus) or deficit on the provision of services	2,254	143,644
(9,660)	(66,864)	Adjustment to surplus or deficit on the provision of services for noncash movements	(11,404)	(152,795)
5,820	5,820	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,823	1,823
<b>3,920</b>	<b>3,920</b>	<b>Net cash flows from operating activities</b>	<b>(7,328)</b>	<b>(7,328)</b>
2,782	2,782	Net cash flows from investing activities	28,287	28,287
(665)	(665)	Net cash flows from financing activities	(16,350)	(16,350)
<b>6,037</b>	<b>6,037</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>4,609</b>	<b>4,609</b>
25,123	25,123	Cash and cash equivalents at the beginning of the reporting period	19,086	19,086
<b>19,086</b>	<b>19,086</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>14,477</b>	<b>14,477</b>

## Note 1 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statements are:

- **Future funding levels** – there is a degree of uncertainty about future levels of funding for Police and Crime Commissioners. However, the Group has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Group might be impaired as a result of a need to close facilities and reduce levels of service provision.
- **Estates strategy** – the timing and value of future property sales need to be considered in order to provide funds for future capital programmes.
- **Income & Expenditure** – a judgement has been made regarding the recognition of income and expenditure between the Police and Crime Commissioner's and Chief Constable's accounts to reflect financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable. All income/expenditure is received/paid by the PCC, and no actual cash transaction or events take place between the two entities.
- **Comprehensive Income and Expenditure Statement (CIES)** - Under CIPFA guidance the CIES is reported on the basis of organisation structure, reflecting the way in which the organisation operates or manages its services. For Surrey Police the CIES has been set out to show costs subjectively, reflecting the reporting basis for the monthly corporate report that is written for both the Chief Officer Group and the PCC.
- **Asset values** – the PCC exercises judgement in determining the carrying value of land and buildings on the PCC/PCC Group Balance Sheet by having valuations on a 5-year basis supplied by external valuers, Bruton Knowles. In addition to valuations, the local market conditions and national data are assessed as to whether there should be changes in asset values.
- **Leases** – the PCC has to determine whether the leases it enters should be classified as operating or finance leases. The PCC must also consider whether contractual arrangements it enters into have the substance of a lease. These judgements are made on the professional opinion of the PCC Group's accountants and procurement manager based on contract procedure rules and the strict criteria set out in International Accounting Standard 17 (IAS 17) relating to leases.
- **Working capital** – the PCC controls the treasury management function and all bank accounts, therefore the majority of the working capital balances (cash, current debtors and currently liabilities) are recognised in the PCC's Balance Sheet.
- **Pensions** – The cost of pension arrangements require estimates assessed by an independent qualified actuary regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting the responsibility of the Group are as advised by their actuaries. The financial assumptions are largely prescribed at any point and reflect market expectation at the reporting date. Assumptions are also made around life expectancy.
- **Pensions** - The PCC has to determine whether items should be recognised in the PCC or Chief Constable accounts. A judgement has been made to include the accounting for all staff pension liability and reserve movements within the Chief Constable's accounts, including those elements that relate to staff employed within the Officer of the Police and Crime Commissioner. This decision was made on the grounds of materiality because the Chief Constable holds the contract of employment for the majority of staff, with the PCC holding contracts of employment for the team of staff in his office. It is estimated that the PCC elements of pensions on a pro rata basis would give less than half of one percent of the total LGPS pension liability relating to

staff. Omission of PCC staff pension adjustments from the PCC accounts and/or overstatement of the same figures within the Chief Constable accounts is not considered likely to influence decisions or assessments of users made on the basis of the Financial Statements and the Group position is still correct. This is not therefore considered a material misstatement. In line with best practice going forward, arrangements have been put in place for the next triennial valuation to include separate disclosures for the PCC employee pension which will be reflected in the PCC accounts for the 19/20 Financial Statements.

- **Pensions** - The PCC has to determine whether items should be recognised in the PCC or Chief Constable accounts. A judgement has been made to include the accounting for all staff pension liability and reserve movements within the Chief Constable's accounts, including those elements that relate to staff employed within the Officer of the Police and Crime Commissioner. This decision was made on the grounds of materiality because the Chief Constable holds the contract of employment for the majority of staff, with the PCC holding contracts of employment for the team of staff in his office. It is estimated that the PCC elements of pensions on a pro rata basis would give less than half of one percent of the total LGPS pension liability relating to staff. Omission of PCC staff pension adjustments from the PCC accounts and/or overstatement of the same figures within the Chief Constable accounts is not considered likely to influence decisions or assessments of users made on the basis of the Financial Statements and the Group position is still correct. This is not therefore considered a material misstatement. In line with best practice going forward, arrangements have been put in place for the next triennial valuation to include separate disclosures for the PCC employee pension which will be reflected in the PCC accounts for the 19/20 Financial Statements.

- **Pensions (Impact of McCloud/Sargeant court of appeal)**

The courts have considered cases regarding the implementation of the 2015 pension reforms. On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgement that transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. The government respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied.

The ruling relates to the 'transitional protection' offered to some members when the reformed schemes were introduced. In order to ensure people close to retirement age were treated fairly, the government agreed to the 'transitional protection', which broadly permitted those members who were closest to retirement at the time new pension schemes were introduced to remain members of their respective old schemes. The court has found that those too far away from retirement age to qualify for 'transitional protection' have been unfairly discriminated against. As 'transitional protection' was offered to members of all the main public service schemes, the government believes that the difference in treatment will be remedied across all schemes. This includes schemes for the local government and police.

A decision was therefore made to commission IAS 19 pension actuarial reports to include the impacts of this court case and fully provide for them within the 2018/19 accounts of the PCC Group for both police and staff pension schemes.

- **Accumulated absences** - the PCC has to determine whether the leave accrual should be accounted for in the PCC or Chief Constables accounts. As the majority of employee costs are accounted for in the Chief Constable's accounts the leave accrual has been accordingly matched and accounted for on the Chief Constables Balance Sheet. The calculation is based on staff annual leave records and an average cost for each grade.

- **Collaboration** – the PCC has to determine how to account for collaborative arrangements. The Surrey/Sussex collaboration is accounted for as a joint operation whereby both parties have joint control of the arrangements and costs are shared in accordance with an agreed funding model.

- **Insurance Reserve and Provision** - The value of both the insurance reserve and provision require estimates from an independent qualified actuary to assess the appropriate insurance provisions and reserves for self-insured claims. The estimates are based on the Chain Ladder actuarial method for forecasting ultimate mature loss levels.

## Note 2 - Events After the Balance Sheet Date

When an event occurs after the Balance Sheet date which provides evidence of conditions that existed at the Balance Sheet date an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any values that reflect the adjusting event. Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but disclosed as a separate note to the accounts. Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue and published.

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 23 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2019, the figures in the financial statements and notes should be adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have therefore been adjusted for the following event which took place after 31 March 2019:

On 27 June 2019 the Supreme Court refused leave to appeal on the McCloud / Sargeant case that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounted to unlawful discrimination. This made the impact on IAS19 Pension Scheme disclosures a certainty rather than a contingency, as noted in more detail within Note 25.

## Note 3 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Group about the future or that are otherwise uncertain. Estimates are made taking into account historic evidence, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Group's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings increases by £132k for every year that useful lives are reduced. It is estimated that the annual depreciation charge for vehicles increases by £558k for every year that useful lives are reduced.

Item (cont'd)	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Governments Actuary's Department have been engaged to provide the Group with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme. These assumptions now include the impact of 'McCloud/Sargeant' transitional protections for both officer and staff pension schemes to better reflect the Fund's local assumptions, particularly those for salary increases and withdrawal rates. The Fund's actuary also carried out calculations in order to estimate the impact that the Guaranteed Minimum Pension (GMP) equalisation will have on the pension fund liabilities.</p>	<p>The Police Pension Scheme is governed by the Police Pensions Regulations 1987 and related regulations. An actuarial valuation is carried out every 4 years, the last being at 31 March 2016. The Group has applied the pension disclosures from Government Actuary's Department (GAD) model in accordance with the requirements of CIPFA's Code of Practice for accounting periods commencing on or after 1 April 2010. The last formal valuation of LGPS was 31 March 2016 when interim reviews were recommended prior to the next valuation at 31 March 2019. The results of this valuation will be applied in 2019/20 accounts. The accuracy of the outcome relies on assumptions made in a fragile economy, and actual results may be materially different. Quantifying the impact of the 'McCloud/Sargeant' judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The GMP estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.</p>
<b>Insurance Claims Liability</b>	<p>The level of potential claims facing the Police and Crime Commissioner is independently assessed by professional actuaries Gallagher Heath on an annual basis. This assesses the future potential costs on the Police and Crime Commission of claims both known and unknown. Funding for these Insurance liabilities are held in the insurance reserve.</p>	<p>In the event that claims are higher than predicted additional resources would be required.</p>

## Note 4 - Prior Year Adjustments

The group has no prior year adjustments to report.



## Note 5 -Expenditure and Funding Analysis

The Expenditure and Funding Analysis note shows how annual expenditure is used and funded from resources (government grants and council tax) by police bodies in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

### Group

Net Expenditure Chargeable to the General Fund Balance	2017/18	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2018/19	Net Expenditure in the Comprehensive Income and Expenditure Statement	
	Adjustments			Adjustments		
£000	£000	£000	£000	£000	£000	
81,048	44,450	125,498	Police Payroll	81,885	127,565	209,450
6,276	0	6,276	Police Overtime	4,270	0	4,270
59,144	12,755	71,899	Staff Payroll	59,629	13,826	73,455
1,853	0	1,853	Staff Overtime	1,454	0	1,454
1,526	0	1,526	Agency	1,048	0	1,048
1,862	0	1,862	Training	1,170	0	1,170
1,488	0	1,488	Other Payroll Costs	1,814	0	1,814
8,397	0	8,397	Premises	9,774	0	9,774
28,481	0	28,481	Supplies and Services	28,741	0	28,741
3,455	0	3,455	Transport	4,475	0	4,475
0	7,397	7,397	Depreciation	0	8,879	8,879
(11,614)	0	(11,614)	Income	(13,228)	0	(13,228)
0	0	0	Rounding	(1)	0	(1)
<b>181,916</b>	<b>64,602</b>	<b>246,518</b>	<b>Net Cost of Services</b>	<b>181,031</b>	<b>150,270</b>	<b>331,301</b>
(179,884)	(1,670)	(181,554)	Other Income and Expenditure	(185,230)	(2,427)	(187,657)
<b>2,032</b>	<b>62,932</b>	<b>64,964</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>(4,199)</b>	<b>147,843</b>	<b>143,644</b>
(15,086)			Opening Combined General Fund Balance	(13,054)		
2,032			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	(4,199)		
<b>(13,054)</b>			<b>Closing Combined General Fund Balance</b>	<b>(17,253)</b>		

OPCC

Net Expenditure Chargeable to the General Fund Balance	2017/18	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2018/19	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments	
£000	£000	£000	£000	£000	£000
0	0	0	0	0	0
0	0	0	0	0	0
810	0	810	812	0	812
12	0	12	17	0	17
0	0	0	0	0	0
6	0	6	1	0	1
10	0	10	13	0	13
49	0	49	52	0	52
2,405	0	2,405	2,444	0	2,444
16	0	16	16	0	16
(7,397)	7,397	0	(8,879)	8,879	0
(1,370)	0	(1,370)	(1,367)	0	(1,367)
<b>(5,459)</b>	<b>7,397</b>	<b>1,938</b>	<b>(6,891)</b>	<b>8,879</b>	<b>1,988</b>
		<b>Net Cost of Services</b>			
7,489	(1,670)	5,821	2,693	(2,427)	266
		Other Income and Expenditure			
<b>2,030</b>	<b>5,727</b>	<b>7,758</b>	<b>(4,198)</b>	<b>6,452</b>	<b>2,254</b>
		<b>Surplus or Deficit on Provision of Services</b>			
(15,086)		Opening Combined General Fund Balance	(13,054)		
2,032		Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	(4,199)		
0		Transfers to/from other Reserves	0		
<b>(13,054)</b>		<b>Closing Combined General Fund Balance</b>	<b>(17,253)</b>		

## Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations

The table below details the adjustments made to the Total Comprehensive Income and Expenditure Statement recognised by the Group in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

<b>Group 2018/2019</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(141,085)			141,085
Changes in fair value of pooled investments	0			0
Council tax and NDR (transfers to or from the Collection Fund)	(715)			715
Holiday pay (transferred to the Accumulated Absences reserve)	(306)			306
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(9,343)		(801)	10,144
<b>Total Adjustments to Revenue Resources</b>	<b>(151,449)</b>	<b>0</b>	<b>(801)</b>	<b>152,250</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,022	(1,022)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	415			(415)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,487			(2,487)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,924</b>	<b>(1,022)</b>	<b>0</b>	<b>(2,902)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		5,832		(5,832)
Application of capital grants to finance capital expenditure			801	(801)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>5,832</b>	<b>801</b>	<b>(6,633)</b>
Other adjustments	(318)	0	285	33
<b>Total Adjustments</b>	<b>(147,843)</b>	<b>4,810</b>	<b>285</b>	<b>142,748</b>

OPCC 2018/2019	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	0			0
Changes in fair value of pooled investments	0			0
Council tax and NDR (transfers to or from the Collection Fund)	(715)			715
Holiday pay (transferred to the Accumulated Absences reserve)	0			0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(9,343)		(801)	10,144
<b>Total Adjustments to Revenue Resources</b>	<b>(10,058)</b>	<b>0</b>	<b>(801)</b>	<b>10,859</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,022	(1,022)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	415			(415)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,487			(2,487)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,924</b>	<b>(1,022)</b>	<b>0</b>	<b>(2,902)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		5,832		(5,832)
Application of capital grants to finance capital expenditure			801	(801)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>5,832</b>	<b>801</b>	<b>(6,633)</b>
Other adjustments	(318)	0	285	33
<b>Total Adjustments</b>	<b>(6,452)</b>	<b>4,810</b>	<b>285</b>	<b>1,357</b>

<b>Group 2017/2018</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movement in Unusable Reserves £000</b>
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(57,096)			57,096
Changes in fair value of pooled investments	0			0
Council tax and NDR (transfers to or from the Collection Fund)	(665)			665
Holiday pay (transferred to the Accumulated Absences reserve)	(109)			109
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(11,206)		(806)	12,012
<b>Total Adjustments to Revenue Resources</b>	<b>(69,076)</b>	<b>0</b>	<b>(806)</b>	<b>69,882</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5,014	(5,014)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	400			(400)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	359			(359)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>5,773</b>	<b>(5,014)</b>	<b>0</b>	<b>(759)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		7,437		(7,437)
Application of capital grants to finance capital expenditure			806	(806)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>7,437</b>	<b>806</b>	<b>(8,243)</b>
Other adjustments	371	0	(697)	326
<b>Total Adjustments</b>	<b>(62,932)</b>	<b>2,423</b>	<b>(697)</b>	<b>61,206</b>

<b>OPCC 2017/2018</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movement in Unusable Reserves £000</b>
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	0			0
Changes in fair value of pooled investments	0			0
Council tax and NDR (transfers to or from the Collection Fund)	(665)			665
Holiday pay (transferred to the Accumulated Absences reserve)	0			0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(11,206)		(806)	12,012
<b>Total Adjustments to Revenue Resources</b>	<b>(11,871)</b>	<b>0</b>	<b>(806)</b>	<b>12,677</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5,014	(5,014)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	400			(400)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	359			(359)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>5,773</b>	<b>(5,014)</b>	<b>0</b>	<b>(759)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		7,437		(7,437)
Application of capital grants to finance capital expenditure			806	(806)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>7,437</b>	<b>806</b>	<b>(8,243)</b>
Other adjustments	371	0	(697)	326
<b>Total Adjustments</b>	<b>(5,727)</b>	<b>2,423</b>	<b>(697)</b>	<b>4,001</b>

## Note 7 - Transfers to/from Earmarked Reserves

The table below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

	Balance at 1 April 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Reserves:</b>							
Chief Constable Reserve	(571)	0	0	(571)	0	0	(571)
Estate Maintenance Reserve	(500)	0	250	(250)	0	202	(48)
Corporate Communications Local Reserve	(73)	0	0	(73)	0	0	(73)
Operation Heather	(228)	0	228	0	0	0	0
Training Reserve	(439)	0	439	0	0	0	0
Insurance Reserve - Legal	(361)	0	0	(361)	0	0	(361)
Insurance Reserve	(1,484)	(2,295)	1,519	(2,260)	(1,005)	338	(2,927)
Ill Health Reserve	(2,730)	0	238	(2,492)	(148)	922	(1,718)
PCC Innovation Reserve	0	(500)	0	(500)	0	0	(500)
PCC Estate Strategy Reserve	0	(400)	0	(400)	(2,400)	0	(2,800)
Cost of Change Reserve	0	0	0	0	(1,443)	0	(1,443)
<b>Total General Fund</b>	<b>(6,386)</b>	<b>(3,195)</b>	<b>2,674</b>	<b>(6,907)</b>	<b>(4,996)</b>	<b>1,462</b>	<b>(10,441)</b>

### Insurance Reserve

This represents a reserve for insurance liabilities. The reserve is intended to cover likely insurance liabilities that occur and to cover risks in the areas of motor insurance, employers and public liability. In addition to this reserve a provision is held where the costs are more certain. An actuarial review is carried out annually to establish the levels to meet both the reserve and the provision.

### Estate Maintenance Reserve

The reserve has been set aside to meet the cost of improvements to the estate.

### Ill Health Reserve

This reserve is to meet the cost of Police Officers' ill health commutations in the future. For each instance of ill health the PCC has to provide for the capital equivalent charge that is required to be paid into the Police Pension Account.

### Chief Constable Reserve

This reserve has been set aside by the PCC for use by the Chief Constable, for example during 2015/16 this funding was used for policing the Magna Carta celebrations.

## OPCC Operational Reserve

The OPCC Operational Reserve is a new initiative that will seek to pump prime transformation that will deliver future savings and repay the investment. This was previously known as the PCC Innovation Reserve.

## Estates Strategy Reserve

This reserve is to manage the transition costs to deliver the Estate Strategy to rationalise some of the current estate and build a new operational headquarters.

## Cost of Change Reserve

The Cost of Change Reserve is to fund projects that enhance the policing in Surrey and/or deliver savings. It is envisaged that any future under spend from the operational budget will be transferred to this reserve at the year end subject to PCC approval on the amount.

## Note 8 - Taxation and Non-Specific Grant Income

The group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £000		2018/19 £000
(111,751)	Council tax income	(118,447)
(118,977)	Non-ringfenced government grants	(118,454)
(806)	Capital grants and contributions	(801)
<b>(231,534)</b>	<b>Total</b>	<b>(237,702)</b>

## Note 9 - Grant Income

### Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2018 £000		31 March 2019 £000
(2,461)	Council Tax Freeze Grant	(2,461)
(61,296)	Police Grants	(61,296)
(6,759)	Localisation Support Grant	(6,759)
(28,809)	National Non-Domestic Rates	(28,809)
(19,652)	Home Office Grant Payable to the cost of Retirement Benefits	(19,129)
(806)	Capital Grants and Contributions	(801)
<b>(119,783)</b>	<b>Total</b>	<b>(119,255)</b>

### Grant Income Credited to Services

31 March 2018 £000		31 March 2019 £000
(835)	Counter Terrorism	(906)
(1,370)	Victim Support Grant	(1,367)
(242)	Other	(238)
<b>(2,447)</b>	<b>Total</b>	<b>(2,511)</b>



## Counter Terrorism

Home Office grant to cover the costs of specific counter terrorist and royalty protection posts.

## Victim Support Grant

Grant provided by the Ministry of Justice to provide funding for organisations and charities who are supporting victims of crime.

## Home Office grant payable to the cost of retirement benefits

Home Office grant to cover the projected shortfall on the cost of police pensions under the new pensions financing arrangements which came into effect on 1st April 2006.

## Council Tax Freeze Grant

Government funding to compensate for reduced Council Tax Revenue.

## Note 10 - Capital Expenditure and Capital Financing

This table shows details of expenditure on capital items as defined within the Accounting Policies, together with the resources that have been used to finance it. Capital expenditure increases the asset worth of the Group, as shown in the Balance Sheet and associated Property, Plant and Equipment (note 11).

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Group, this results in an increase in the Capital Financing Requirement, a measure of capital expenditure incurred historically by the Group that has yet to be financed.

### Capital Expenditure and Capital Financing

31 March 2018		31 March 2019
£000		£000
8,070	Opening Capital Financing Requirement	7,670
	Capital Investment:	
7,872	Property Plant and Equipment	29,634
731	Intangible Assets	476
<b>8,602</b>	<b>Total Capital Spending</b>	<b>30,110</b>
	Sources of Finance:	
(7,437)	Capital receipts	(5,832)
(806)	Government Grants and other contributions	(801)
	Sums set aside from revenue:	
(359)	- Direct revenue contributions	(2,487)
(400)	- Minimum revenue provision	(415)
<b>(9,002)</b>	<b>Total Sources of Finance</b>	<b>(9,535)</b>
<b>7,670</b>	<b>Closing Capital Financing Requirement</b>	<b>28,245</b>

## Note 11 - Property, Plant and Equipment

Changes in Non-Current Assets are summarised below:

### Movements to 31 March 2019

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>at 1 April 2018</b>	79,947	41,776	5,197	5,318	<b>132,238</b>
Additions	1,003	3,517	20,485	4,629	<b>29,634</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	166	0	319	0	<b>485</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	126	0	0	0	<b>126</b>
Derecognition – disposals	0	(3,788)	(11)	0	<b>(3,799)</b>
Derecognition – other	0	0	0	(95)	<b>(95)</b>
Reclassifications and transfer	(1,152)	1,414	1,878	(3,891)	<b>(1,751)</b>
Assets reclassified (to)/from Held for Sale	(866)	0	0	0	<b>(866)</b>
<b>at 31 March 2019</b>	<b>79,224</b>	<b>42,919</b>	<b>27,868</b>	<b>5,961</b>	<b>155,972</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>at 1 April 2018</b>	(2,111)	(29,800)	(357)	0	<b>(32,268)</b>
Depreciation charge	(2,933)	(4,361)	(260)	0	<b>(7,554)</b>
Depreciation written out to the Revaluation Reserve	4,304	0	467	0	<b>4,771</b>
Derecognition – disposals	0	3,496	0	0	<b>3,496</b>
Reclassifications and transfers	(33)	0	33	0	<b>0</b>
<b>at 31 March 2019</b>	<b>(773)</b>	<b>(30,665)</b>	<b>(117)</b>	<b>0</b>	<b>(31,555)</b>
<b>Net Book Value</b>					
<b>at 31 March 2019</b>	<b>78,451</b>	<b>12,254</b>	<b>27,751</b>	<b>5,961</b>	<b>124,417</b>
<b>at 31 March 2018</b>	<b>77,836</b>	<b>11,976</b>	<b>4,840</b>	<b>5,318</b>	<b>99,970</b>

## Movements to 31 March 2018

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>at 1 April 2017</b>	69,044	40,523	5,361	2,989	<b>117,917</b>
Additions	46	3,669	0	4,157	<b>7,872</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,965	0	2,159	0	<b>13,124</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,379	0	0	0	<b>1,379</b>
Derecognition – disposals	(430)	(3,706)	0	0	<b>(4,136)</b>
Derecognition – other	0	0	0	0	<b>0</b>
Reclassifications and transfer	(1,057)	1,290	1,120	(1,828)	<b>(475)</b>
Assets reclassified (to)/from Held for Sale	0	0	(3,443)	0	<b>(3,443)</b>
<b>at 31 March 2018</b>	<b>79,947</b>	<b>41,776</b>	<b>5,197</b>	<b>5,318</b>	<b>132,238</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>at 1 April 2017</b>	(6,219)	(28,523)	(263)	0	<b>(35,005)</b>
Depreciation charge	(2,437)	(4,708)	(204)	0	<b>(7,349)</b>
Depreciation written out to the Revaluation Reserve	6,355	0	273	0	<b>6,628</b>
Derecognition – disposals	27	3,431	0	0	<b>3,458</b>
Reclassifications and transfers	163	0	(163)	0	<b>0</b>
<b>at 31 March 2018</b>	<b>(2,111)</b>	<b>(29,800)</b>	<b>(357)</b>	<b>0</b>	<b>(32,268)</b>
<b>Net Book Value</b>					
<b>at 31 March 2018</b>	<b>77,836</b>	<b>11,976</b>	<b>4,840</b>	<b>5,318</b>	<b>99,970</b>
<b>at 31 March 2017</b>	<b>62,824</b>	<b>12,000</b>	<b>5,098</b>	<b>2,989</b>	<b>82,911</b>

## Depreciation

Depreciation is calculated on a straight-line basis over the estimated life of the asset. Although it is calculated on the estimated life of the specific individual asset concerned, the approximate average depreciation periods are as follows:

Buildings	25 years (or as assessed by the valuer)
Plant, Furniture & Equipment	5 years (or as assessed by the business)
Vehicles	3-5 years (depending on vehicle type as assessed by Transport Manager)

## Effects of Changes in Estimates

Assets are depreciated over useful lives that are dependent on assumptions about the level of repair and maintenance that will be incurred in relation to individual assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £1.9m for every year that the useful lives had to be reduced.

## Land and Buildings

The PCC adopts a 5 year rolling valuation programme for Freehold and Leasehold properties to be measured at fair value. Bruton Knowles property consultants are appointed to provide the

valuation service. All properties are valued at least every five years but can be valued more frequently if appropriate.

The Valuer has adopted valuation assumptions in order to arrive at valuation results and include the following RICS defined valuation methods to estimate fair values:

- Market Value
- Existing Use Value (EUV)
- Fair Value

Where specialised property is valued, the use of Depreciated Replacement Cost (DRC) to arrive at EUV is employed. Depreciated Replacement Cost is no longer a RICS defined valuation methodology but simply a method of arriving at EUV.

The last formal property valuations by Bruton Knowles property consultants took place as follows:

- All operational police stations and offices were valued as at 31 December 2017 on the basis of Existing Use Value (EUV).
- All police houses were valued as at 31 December 2015 on the basis of open market value.

### Material Change Valuation Review for 2018/19

At the end of the 2018/19 year a review was undertaken by Bruton Knowles property consultants as our independent valuers to assess material changes during the year and since the last valuation.

Following review of market factors affecting Surrey properties, Bruton Knowles advised an uplift of 0.5% for offices and 2% for industrial buildings based on the change in average rents and average investment values for properties in Surrey since December 2017.

This has been adjusted for in the 2018/19 Financial Statements as an Indexation Revaluation increase and the following table illustrates the current values of the PCC's assets:

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000
Carried at historical cost	-	12,254	-	12,254
Valued at fair value as at:				
31/03/19	77,607	-	27,750	105,357
31/03/18	844	-	-	844
31/03/17	-	-	-	-
31/03/16	-	-	-	-
<b>Total</b>	<b>78,451</b>	<b>12,254</b>	<b>27,750</b>	<b>118,455</b>

### Property Acquisition 2018/19

A new site in Leatherhead was purchased during the year to provide an improved central location for Surrey Police headquarters and operational base at a cost of £20.5m. This will replace the existing Mount Browne headquarters and Woking police station, in addition to replacing Reigate police station as the main Eastern divisional base. Sales from these existing sites will meet the majority of costs for the purchase and development of the new headquarters in addition to a loan of £15.6m from the Public Works and Loan Board (PWLB).

### Physical Assets Held

Physical assets excluding furniture and equipment owned by the PCC as at 31 March 2019 comprised:

	2018/19	2017/18
	No.	No.
Operational Buildings *	16	15
Police Houses	42	46
Police Vehicles	842	853
<b>Total</b>	<b>900</b>	<b>914</b>

\* Operational Buildings comprise police stations and offices, including custody and control centres

## Note 12 - Intangible Assets

The Group classifies its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and the hardware of the asset is classified under Property, Plant and Equipment. Intangible assets include both licences and internally generated software.

The amortisation of £1.5m (2017/18 £1.4m) was charged to the Comprehensive Income and Expenditure Statement in 2018/19.

31st March 2018			31st March 2019		
Other Assets	Intangible Assets Under Development	Total	Other Assets	Intangible Assets Under Development	Total
£000			£000		
Balance at start of year:					
4,682	0	4,682	5,168	0	5,168
(1,962)	0	(1,692)	(2,399)	0	(2,399)
<b>2,990</b>	<b>0</b>	<b>2,990</b>	<b>2,769</b>	<b>0</b>	<b>2,769</b>
Additions:					
731	0	731	158	318	476
(720)	0	(720)	(1,164)	0	(1,164)
475	0	475	141	1,610	1,751
(1,427)	0	(1,427)	(1,452)	0	(1,452)
720	0	720	1,164	0	1,164
<b>2,769</b>	<b>0</b>	<b>2,769</b>	<b>1,616</b>	<b>1,928</b>	<b>3,544</b>
Comprising:					
5,168	0	5,168	4,303	1,928	6,231
(2,399)	0	(2,399)	(2,687)	0	(2,687)
<b>2,769</b>	<b>0</b>	<b>2,769</b>	<b>1,616</b>	<b>1,928</b>	<b>3,544</b>

## Note 13 - Debtors

Debts outstanding at 31 March 2019 can be analysed as follows:

31 March 2018 OPCC	31 March 2018 Group		31 March 2019 OPCC	31 March 2019 Group
£000	£000		£000	£000
823	823	Trade Receivables	717	717
6,426	6,426	Prepayments	6,718	6,718
13,345	13,951	Other Receivable Amounts	13,731	13,841
<b>20,594</b>	<b>21,200</b>	<b>Total</b>	<b>21,166</b>	<b>21,276</b>

Debtors by Category	Category	2017/18 £000's	2018/19 £000's
Other Receivable Amounts	Collaboration	536	2,220
	Council Tax Debtors	2,987	2,317
	Forfeiture Monies	0	413
	Insurance/Legal/Property	349	17
	Other	95	623
	Partnership Monies	234	639
	Payroll/Pension	7,884	5,962
	Secondments	0	447
	VAT	1,866	1,203
<b>Other Receivable Amounts Total</b>		<b>13,951</b>	<b>13,841</b>
Prepayment	Estates	2,355	1,267
	Insurance/Legal/Property	0	948
	Other	870	1,163
	Payroll/Pension	3,201	3,340
<b>Prepayment Total</b>		<b>6,426</b>	<b>6,718</b>

## Note 14 - Cash and Cash Equivalents

The balance of Cash and Cash Equivalents for the PCC and Group is made up of the following elements:

31 March 2018		31 March 2019
£000		£000
626	Cash and Bank balances	742
18,460	Short Term Investments	13,734
<b>19,086</b>	<b>Total Cash and Cash Equivalents</b>	<b>14,476</b>

The Group's treasury management function is carried out in conjunction with Surrey County Council. Daily transfers of cash are made between the PCC and Surrey County Council in the form of loans.

## Note 15 - Assets Held for Sale

The movement in Assets Held for Sale is shown below:

<b>Current</b>	<b>Current</b>
<b>31 March 2018</b>	<b>31 March 2019</b>
<b>£000</b>	<b>£000</b>
495 Balance outstanding at start of year	0
Assets newly classified as held for sale:	
3,443 - Property Plant and Equipment	866
(3,938) Assets sold	(866)
<b>0 Balance Outstanding year end</b>	<b>0</b>

As at 31 March 2019 there were no assets held for sale. During the year, 1 police house was sold.

## Note 16 - Creditors

Payments due at 31 March 2019 can be analysed as follows:

<b>31 March 2018</b>	<b>31 March 2018</b>		<b>31 March 2019</b>	<b>31 March 2019</b>
<b>OPCC</b>	<b>Group</b>		<b>OPCC</b>	<b>Group</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
(1,996)	(1,996)	Trade payables	(2,101)	(2,101)
(20,262)	(20,864)	Other payables	(23,012)	(23,920)
<b>(22,258)</b>	<b>(22,860)</b>	<b>Total Creditors</b>	<b>(25,113)</b>	<b>(26,021)</b>

<b>Creditors - Other Payables by Category</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£000's</b>	<b>£000's</b>
Capital	557	409
Collaboration	1,173	1,251
Council Tax Creditors	1,951	1,996
Estates	1,108	1,038
Forfeiture Monies	1,006	1,801
Insurance/Legal/Property	725	739
Other	3,804	2,711
Partnership Monies	3,178	5,561
Payroll/Pension	3,482	4,516
Tax	3,880	3,898
<b>Total</b>	<b>20,864</b>	<b>23,920</b>

## Note 17 - Provisions

Provisions held at 31 March 2019 are as follows:

### Current Provisions

2018/19	Restructuring Provision	Insurance Provision	Total
	£000	£000	£000
Opening Balance	(606)	(946)	(1,552)
Utilised during year	496	226	723
<b>Closing Balance</b>	<b>(109)</b>	<b>(720)</b>	<b>(829)</b>

2017/18	Restructuring Provision	Insurance Provision	Total
	£000	£000	£000
Opening Balance	(480)	(1,601)	(2,081)
Increase in provision during year	(334)	0	(334)
Utilised during year	208	655	863
<b>Closing Balance</b>	<b>(606)</b>	<b>(946)</b>	<b>(1,552)</b>

### Restructuring Provision

The restructuring provision has been created for restructuring costs in accordance with Strategic Change Programmes that had formal plans or supporting business cases as at the 31 March 2019. These change programmes are either in the process of being implemented or will be implemented during 2019/20. This provision is held in the Chief Constable's balance sheet and is shown here as part of the Group position.

### Insurance Provision

The insurance provision is to cover the anticipated costs of reported claims as per the actuarial report produced by Marsh & McLennan. This provision is held in the PCC's balance sheet and is shown here as part of the Group position.



## Note 18 - Usable Reserves

Movements in the Group's usable reserves are detailed in the Movements in Reserves Statement. The balances are as follows:

31 March 2018		31 March 2019
£000		£000
(6,147)	General Fund Balance	(6,812)
(6,907)	Earmarked General Fund Balance	(10,441)
(8,806)	Capital Receipts Reserve	(3,996)
(1,602)	Capital Grants Unapplied	(1,317)
<b>(23,462)</b>	<b>Total</b>	<b>(22,566)</b>

### Capital Receipts Reserve

31 March 2018		31 March 2019
£000		£000
(11,229)	Balance 1 April	(8,806)
(5,014)	Capital Receipts in year	(1,022)
7,437	Capital Receipts used for financing	5,832
<b>(8,806)</b>	<b>Balance 31 March</b>	<b>(3,996)</b>

This reserve comprises net proceeds arising from the sale of capital assets e.g. houses & vehicles. The use of these receipts is limited by regulation (Part 1 of the Local Government Act 2003 and the Local Authorities Regulations 2003, Capital Finance and Accounting, England). The receipts can only be used to finance capital expenditure or the repayment of debt.

### Capital Grants Unapplied

31 March 2018		31 March 2019
£000		£000
(905)	Balance 1 April	(1,602)
(806)	Capital grants recognised in year	(801)
806	Capital grants and contributions applied	801
(697)	Other movements	285
<b>(1,602)</b>	<b>Balance 31 March</b>	<b>(1,317)</b>

This balance represents capital grants or contributions that have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from those grants or contributions has not been incurred.

## Note 19 - Unusable Reserves

31 March 2018			31 March 2019	
OPCC £000	Group £000		OPCC £000	Group £000
(33,481)	(33,481)	Revaluation Reserve	(36,881)	(36,881)
(62,486)	(62,486)	Capital Adjustment Account	(63,700)	(63,700)
0	1,928,225	Pension Reserve	0	2,156,930
(1,036)	(1,036)	Collection Fund Adjustment Account	(321)	(321)
0	602	Accumulated Absences Account	0	908
(97,003)	1,831,824		(100,902)	2,056,936

### Revaluation Reserve

31 March 2018 £000		31 March 2019 £000
(17,707)	<b>Balance 1 April</b>	(33,481)
(21,331)	Upward revaluation of assets	(5,985)
1,579	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	729
<b>(19,752)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(5,256)</b>
916	Difference between fair value depreciation and historical cost depreciation	1,481
2,955	Accumulated gains on assets sold or scrapped	364
<b>3,871</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>1,845</b>
107	Other movements	11
<b>(33,481)</b>	<b>Balance 31 March</b>	<b>(36,881)</b>

This reserve records the accumulated gains on non-current assets held by the Group and equity loans to police officers to assist in the purchase of their properties. The increases in value are as a result of inflation or other factors. Whilst the gains arising from asset revaluations increase the net worth of the Group, they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

## Capital Adjustment Account

31 March 2018		31 March 2019
£000		£000
(61,843)	<b>Balance 1 April</b>	(62,486)
7,349	Charges for depreciation and impairment of non-current assets	7,554
(1,379)	Revaluation losses on non-current assets	(126)
1,427	Amortisation of intangible assets	1,452
4,615	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	1,264
12,012	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	10,144
(3,871)	Adjusting Amounts written out of the Revaluation Reserve	(1,845)
8,140	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	8,299
(7,437)	Use of Capital Receipts Reserve to finance new capital expenditure	(5,832)
(806)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(801)
(400)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(415)
(359)	Capital expenditure charged against the General Fund and HRA balances	(2,487)
(9,002)	<b>Capital financing applied in year:</b>	(9,535)
218	Other movements	22
<b>(62,486)</b>	<b>Balance 31 March</b>	<b>(63,700)</b>

The account accumulates the write down of the historical cost of non-current assets as they are consumed by depreciation and impairments, or written off on disposal. The written down historical cost is offset by the resources that have been set aside to finance capital expenditure. The account balance will reflect the timing difference between the cost of non-current assets consumed and the capital financing set aside to pay for them.

## Pension Reserve

31 March 2018		31 March 2019
£000		£000
1,868,891	Balance 1 April	1,928,225
2,238	Remeasurements of the net defined benefit (liability)/asset	87,620
114,400	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	198,431
(57,304)	Employer's pensions contributions and direct payments to pensioners payable in the year	(57,346)
<b>1,928,225</b>	<b>Balance 31 March</b>	<b>2,156,930</b>

The pension reserve is an accounting reserve included in the Group Accounts that equals the total pension liability (Police Officers and Police Staff).

Where the pension payments made for the year in accordance with the scheme requirements do not match the change in the Group's recognised liability for the same period, the recognised cost of pensions will not match the amount to be raised in taxation. This is represented by an appropriation to or from the pension reserve, which equals the net change in the pension liability recognised in the Group Comprehensive Income and Expenditure Statement.

Actuarial gains and losses are also recognised as movements on reserve above.

The pensions reserve is currently held in full on the Balance Sheet of the Chief Constable's accounts.

## Collection Fund Adjustment Account

31 March 2018		31 March 2019
£000		£000
(1,701)	Balance 1 April	(1,036)
665	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	715
<b>(1,036)</b>	<b>Balance 31 March</b>	<b>(321)</b>

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangement for paying across amounts to the General Fund from the Collection Fund.

## Accumulated Absences Account

31 March 2018		31 March 2019
£000		£000
493	<b>Balance 1 April</b>	602
(493)	Settlement or cancellation of accrual made at the end of the preceding year	(602)
602	Amounts accrued at the end of the current year	908
109	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	306
<b>602</b>	<b>Balance 31 March</b>	<b>908</b>

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2019. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

The total reserve amount above is represented by the balance held on the Balance Sheet of the Chief Constable's accounts.

## Note 20 - Collaborations

The Police and Crime Commissioner and the Chief Constable for Surrey continues to develop joint working arrangements with other agencies principally with other south east region Police and Crime Commissioners and in particular the Sussex Police and Crime Commissioner and Chief Constable.

The Police and Crime Commissioners and Chief Constables of Surrey and Sussex Police have entered into a legal arrangement (section 22A agreement) to provide a number of services jointly with other police forces. Each of these services is managed by one of the forces and includes a mix of staff from both forces. The net cost of each service agreed to be provided jointly under the Section 22A agreement, which cannot be directly attributable to each force, are shared on a formula basis of Surrey 45%; Sussex 55%.

In 2018/19 the services provided jointly, included the Operations and Specialist Crime departments along with a number of support functions and projects. The Police and Crime Commissioners and Chief Constables for Sussex, Surrey and Thames Valley Police continue to deliver a joint project to procure and implement a new Enterprise Resource Planning system (ERP).

Each Force accounts for their share of total income and expenditure and assets in the Comprehensive Income and Expenditure Statement and Balance Sheet respectively. The following table illustrates the Surrey share of the collaborated service costs.

	Surrey Share 2018-19 £m	Surrey Share 2017-18 £m
Change Delivery	1.0	1.0
Chief Officers	0.4	0.4
Enterprise Resource Planning (ERP) Project	0.7	0.7
Finance	0.6	0.5
Insurance	0.1	0.1
IT	4.1	3.7
IT Projects	0.6	1.0
Procurement	0.2	0.2
Transport	0.7	0.6
Operations Department	15.1	14.4
Health & Safety	0.1	0.1
Specialist Crime Department	14.5	9.4
People Services	3.0	2.3
Digital Enablement	0.5	0.3
Vetting	0.3	0.3
	<b>41.9</b>	<b>35.0</b>

## Note 21 - Leases

As at the 31 March 2019 the Group had the following future obligations in respect of operating leases:

### **Vehicles, Plant, Furniture and Equipment**

The Group has not entered into any new operating leases for this category during 2018/19, the lease for printers/photocopiers is due to be renewed in 2019/20. Payments due in 2019/20 total £0.1m (2018/19 £0.1m).

### **Land and Buildings**

The Group terminated four, entered into one and renegotiated one operating lease during 2018/19. For these and existing arrangements held under operating leases during 2018/19 rental payments were £1.0m (2017/18 £1.0m).

### **Commitments Under Operating Leases**

The Group was committed at 31 March 2019 to making payments of £1.2m under operating leases in 2019/20 comprising the following elements:

## Authority as Lessee - Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

31 March 2018		31 March 2019
£000		£000
947	Not later than one year	1,164
3,519	Later than one year and not later than five years	4,325
3,255	Later than five years	7,744
<b>7,721</b>	<b>Total</b>	<b>13,233</b>

## Note 22 - Service Concession Arrangements

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

## Note 23 - Joint Audit Committee

Under the governance arrangements for policing, the Chief Constable and the PCC have a Joint Audit Committee to provide independent and effective assurance about the adequacy of financial management and reporting. The Committee help to raise the profile of internal control, risk management and financial reporting issues within Surrey Police and provide a forum for discussion with internal and external auditors.

Members' Allowances for the Joint Audit Committee are:

Members' Allowances	£1,730.40 per annum
Chair Allowance	£2,500.00 per annum

## Note 24 - Officers' Remuneration

This statement shows remuneration for senior employees responsible for the management of Surrey Police along with the number of employees (including Police Officers and the PCC) whose remuneration was £50,000 or more.

There are a small number of employees included that are seconded to other agencies. These costs are fully recovered.

Remuneration for Senior Officers with a salary between £50,000 and £150,000 with responsibility for the management of Surrey Police were:								
Position	Position Start Date	Position End Date	2017/2018	2018/2019				
			Total Remuneration	Salary, Fees & Allowances	Employers Pension Contribution	Bonus	Benefit in kind. Private Use of Vehicle	Total Remuneration
			£	£	£	£	£	
Chief Constable-N Ephgrave	18/12/2015	19/01/2019	187,701	140,249	30,920			171,169
Chief Constable-G Stephens	20/01/2019			30,044	7,040		1,073	38,157
Deputy Chief Constable-G Stephens	19/12/2015	19/01/2019	154,257	98,952	23,096		4,319	126,367
Temporary Deputy Chief Constable	20/01/2019			26,570	5,799			32,369
Assistant Chief Constable	23/05/2016	19/01/2019	144,497	100,756	21,774			122,530
Assistant Chief Constable	07/05/2017		113,290	98,419	23,539		3,568	125,526
Temporary Assistant Chief	04/07/2016	19/09/2017	50,466					
Chief Superintendent	01/04/2017		116,439	91,716	20,960			112,676
Chief Superintendent	07/01/2013		111,559	88,462	20,960		3,107	112,529
Chief Superintendent	09/06/2014		114,457	90,517	20,960		4,184	115,661
Chief Superintendent	18/10/2017		51,235	86,459	21,199		2,905	110,563
Chief Superintendent	02/01/2018		26,315	88,547	19,912			108,459
Temporary Chief Superintendent	01/12/2018			30,293	8,990			39,283
Temporary Chief Superintendent	20/12/2015	02/01/2018	86,778					
Chief Superintendent	20/12/2015	19/01/2019	111,032	71,641	16,665		2,731	91,037
Temporary Assistant Chief Constable	20/01/2019			19,549	4,111			23,660
Assistant Chief Officer	27/08/2013		143,585	132,422	16,974			149,396
Temporary Assistant Chief Officer	01/07/2018	31/10/2018		36,283	4,821			41,104
Head of Corporate Communications Note 1	30/04/2013	15/07/2018	85,686	22,356	3,030			25,386
Temporary Head of Corporate Communications- Note 1	16/07/2018			43,025	5,651			48,676
Head of Finance & Services	01/09/2010		101,843	96,491	12,008			108,499
Chief Information Officer	16/11/2015	30/09/2018	143,777	64,510	8,389			72,899
Chief Information Officer	03/12/2018			40,265	5,396			45,661
PCC	12/05/2016		85,388	76,471	10,285			86,756
PCC Chief Executive	27/09/2010		93,157	83,068	11,862			94,930
PCC Treasurer	09/05/2005		61,409	58,835	8,445			67,280
<b>GROUP TOTAL</b>			<b>1,982,871</b>	<b>1,715,900</b>	<b>332,786</b>	<b>-</b>	<b>21,887</b>	<b>2,070,573</b>

Note 1 : The permanent incumbent was seconded to the Metropolitan Police and a temporary person occupied this position.

## Officer Remuneration

### Number of Employees

	2017/18	2018/19
£50,001 to £55,000	248	254
£55,001 to £60,000	137	126
£60,001 to £65,000	49	56
£65,001 to £70,000	10	10
£70,001 to £75,000	10	11
£75,001 to £80,000	7	9
£80,001 to £85,000	10	6
£85,001 to £90,000	8	9
£90,001 to £95,000	1	5
£95,001 to £100,000	2	1
£100,001 to £105,000	0	0
£105,001 to £110,000	0	1
£110,001 to £115,000	1	0
£115,001 to £120,000	0	0
£120,001 to £125,000	1	0
£125,001 to £130,000	2	2
£130,001 to £135,000	0	1
£135,001 to £140,000	0	0
£140,001 to £145,000	0	1
£145,001 to £150,000	0	0
£150,001 to £155,000	1	0
<b>Total</b>	<b>487</b>	<b>492</b>



## Exit Packages

Exit package cost band (including special payments)	Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2017/18	2018/19	2017/18	2018/19
£0-£20,000	5	11	44,396	144,395
£20,001 - £40,000	11	13	278,682	364,184
£40,001 - £60,000	0	3	0	134,219
£60,001 - £80,000	2	3	143,537	196,129
<b>Total</b>	<b>18</b>	<b>30</b>	<b>466,615</b>	<b>838,927</b>

The numbers and total amounts of exit packages paid to employees of the Group were as shown in the table above. All payments were voluntary redundancies.

There were no exit packages paid to employees of the PCC.

## Note 25 - Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. These commitments are included in the Chief Constable's Accounts and consolidated into the Group Accounts.

The Group participates in separate pension schemes for police staff and police officers:

- **The Local Government Pension Scheme (LGPS) for police staff** employees, administered locally by Surrey County Council – this is a funded defined benefit scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Up to 31 March 2014 the scheme was based on final salary but from 1 April 2014 the scheme has been based on career average.
- **The Police Pension Scheme for police officers** – this is an unfunded defined benefit final salary scheme, the funding arrangements of which are contained in the Police Pension Fund Regulations 2007 (SI 2007/1932). The Group and employees pay contributions into the fund during the year, but there is no investment assets built up to meet the pension liabilities and payments as they fall due. The regulations require that if the pension fund does not have enough funds to meet the cost of pensions in any year, the amount required to meet the deficit must be transferred from the Group to the pension fund. Subject to Parliamentary scrutiny and approval, up to 100% of this amount is then recouped by the Group in the form of a top-up grant paid by Central Government. Conversely, if the police pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Group, which in turn is required to pay the amount to central Government.

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. In accordance with IAS 19 requirements, the amount includes current and past service costs, curtailments and settlements, together with the gains/losses on the police injury pension. The

current service cost and valuation of the Schemes as at 31 March 2019 have been produced by actuaries. The following transactions reflect the total charges in the Chief Constable's Comprehensive Income and Expenditure Statement. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments for those benefits and to disclose them at the time the employee earns them.

### **McCloud / Sargeant judgement**

The Chief Constable of Surrey, along with the other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (MmcCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for Surrey Police to be approximately £83.8m of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as Past Service Cost.

The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from the McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process. 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 police 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 enough 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.

With regard to the LGPS a similar adjustment to past service costs within the IAS19 Disclosure has been made for the McCloud judgement. This corresponds to approximately £4.8m increase in liabilities for the group. The impact of an increase in scheme liabilities arising from the McCloud / Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates.

General Fund Transactions

2017/18			2018/19		
LGPS	Police Officers	Total	LGPS	Police Officers	Total
£000	£000	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>					
<b>Cost of Services</b>					
Service cost comprising:					
19,291	44,460	63,751	18,499	45,260	63,759
26	1,060	1,086	1,425	83,790	85,215
Financing and Investment Income and Expenditure					
3,103	46,460	49,563	3,377	46,080	49,457
<b>22,420</b>	<b>91,980</b>	<b>114,400</b>	<b>23,301</b>	<b>175,130</b>	<b>198,431</b>
<b>Total charged to Surplus and Deficit on Provision of Services</b>					
<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>					
£000	£000	£000	£000	£000	£000
Re-measurement of the net defined benefit liability comprising:					
2,390	0	2,390	(9,230)	0	(9,230)
122	12,280	12,402	20	(6,230)	(6,210)
0	(59,610)	(59,610)	0	0	0
(9,834)	56,890	47,056	44,300	58,760	103,060
<b>(7,322)</b>	<b>9,560</b>	<b>2,238</b>	<b>35,090</b>	<b>52,530</b>	<b>87,620</b>
<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>					
<b>15,098</b>	<b>101,540</b>	<b>116,638</b>	<b>58,391</b>	<b>227,660</b>	<b>286,051</b>
<b>Total charged to the Comprehensive Income and Expenditure Statement</b>					

2017/18			2018/19		
LGPS	Police Officers	Total	LGPS	Police Officers	Total
£000	£000	£000	£000	£000	£000
(22,420)	(91,980)	(114,400)	(23,301)	(175,130)	(198,431)
		Reversal of net charges made to the Surplus or Deficit on the Provision of Services			
		Actual amount charged against the general fund balance for pensions in the year:			
9,674	47,630	57,304	9,606	47,740	57,346
		Employers' contributions payable to scheme			
<b>(12,746)</b>	<b>(44,350)</b>	<b>(57,096)</b>	<b>(13,695)</b>	<b>(127,300)</b>	<b>(141,085)</b>

2017/18			2018/19		
LGPS	Police Officers	Total	LGPS	Police Officers	Total
£000	£000	£000	£000	£000	£000
(400,358)	(1,808,200)	(2,208,558)	(472,985)	(1,988,120)	(2,461,105)
		Present value of the defined obligation			
280,333	0	280,333	304,175	0	304,175
		Fair value of plan assets			
(120,025)	(1,808,200)	(1,928,225)	(168,810)	(1,988,120)	(2,156,930)
		Value of Assets / (Liabilities)			
<b>(120,025)</b>	<b>(1,808,200)</b>	<b>(1,928,225)</b>	<b>(168,810)</b>	<b>(1,988,120)</b>	<b>(2,156,930)</b>
		<b>Net (liability) / asset arising from the defined benefit obligation</b>			

2017/18			2018/19		
LGPS	Police Officers	Total	LGPS	Police Officers	Total
£000	£000	£000	£000	£000	£000
268,188	0	268,188	280,333	0	280,333
		Opening fair value of scheme assets			
7,064	0	7,064	7,657	0	7,657
		Interest income			
		Re-measurement gain / (loss):			
(2,390)	0	(2,390)	9,230	0	9,230
		- The return on plan assets, excluding the amount included in the net interest expense			
9,674	47,630	57,304	9,606	47,740	57,346
		Contributions from employer			
3,137	9,020	12,157	3,094	9,010	12,104
		Contributions from employees into the scheme			
0	100	100	0	350	350
		Transfers in			
(5,340)	(56,750)	(62,090)	(5,745)	(57,100)	(62,845)
		Benefits / transfers paid			
<b>280,333</b>	<b>0</b>	<b>280,333</b>	<b>304,175</b>	<b>0</b>	<b>304,175</b>
		<b>Closing value of scheme assets</b>			

2017/18			Movements in the Fair Value of Scheme Liabilities	2018/19		
LGPS	Police Officers	Total		LGPS	Police Officers	Total
£000	£000	£000		£000	£000	£000
(382,789)	(1,754,290)	(2,137,079)	Opening balance at 1 April	(400,358)	(1,808,200)	(2,208,558)
(19,291)	(44,460)	(63,751)	Current service cost	(18,499)	(45,260)	(63,759)
(10,167)	(46,460)	(56,627)	Interest cost	(11,034)	(46,080)	(57,114)
(3,137)	(9,020)	(12,157)	Contributions from scheme participants	(3,094)	(9,010)	(12,104)
			Re-measurement gains and losses:			
(122)	(12,280)	(12,402)	- Actuarial gains / (losses) - experience	(20)	6,230	6,210
0	59,610	59,610	- Actuarial gains / (losses) from changes in demographic assumptions	0	0	0
9,834	(56,890)	(47,056)	- Actuarial gains / (losses) from changes in financial assumptions	(44,300)	(58,760)	(103,060)
(26)	(1,060)	(1,086)	Past service cost	(1,425)	(83,790)	(85,215)
5,340	56,750	62,090	Benefits / transfers paid	5,745	57,100	62,845
<b>(400,358)</b>	<b>(1,808,200)</b>	<b>(2,208,558)</b>	<b>Balance as at 31 March</b>	<b>(472,985)</b>	<b>(1,988,120)</b>	<b>(2,461,105)</b>

The significant assumptions used by the actuary have been:

2017/18	LGPS	2018/19
Long term expected rate of return on assets		
2.7%	EQUITY SECURITIES	7.2%
2.7%	DEBT SECURITIES	7.2%
2.7%	PRIVATE EQUITY	7.2%
2.7%	REAL ESTATE	7.2%
2.7%	INVESTMENT FUNDS & UNIT TRUSTS	7.2%
2.7%	DERIVATIVES	7.2%
Mortality assumptions		
Longevity at retirement for current pensioners		
22.5	Men	22.5
24.6	Women	24.6
Longevity at retirement for future pensioners		
24.1	Men	24.1
26.4	Women	26.4
Other assumptions		
2.4%	Rate of inflation	2.5%
2.7%	Rate of increase in salaries	2.8%
2.4%	Rate of increase in pensions	2.5%
2.6%	Rate for discounting scheme liabilities	2.4%

### Impact of assumptions on the obligation:

Increase by 1%	LGPS	Decrease by 1%
£000	Assumption	£000
0	Longevity	0
0	Rate of inflation	0
18,138	Rate of increase in salaries	0
104,608	Rate of increase in pensions	0
0	Rate for discounting scheme liabilities	(124,782)

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

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £1,928.8m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,807.8m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the Scheme actuary.

Finance is only required to be raised to cover police pensions when the pensions are actually paid and is restricted to the level of employers' contribution payable by the Chief Constable and funded by the PCC.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

### Financing of Police Pensions

The Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. During the year all payments and receipts are made to and from the PCC Police Fund.

The in-year cost of police pensions is financed with the contributions from police officers. Officers in the 'old scheme' contribute between 14.25% and 15.05% depending upon level of basic annual salary (prior to 1 April 2012 officers in the 'old scheme' contributed 11% of pensionable pay). Officers in the 'new scheme' currently contribute between 12.05% and 12.75% depending upon level of basic annual salary (prior to 1 April 2012 officers in the 'new

scheme' contributed 9.5% of earnings or 6% of ineligible for ill-health benefits). From 1 April 2015 the Police Pensions Scheme 2015 came into effect and all current active members were transferred to this scheme – with the exception of those qualifying for protections allowing them to remain in their current scheme. Officers contribute between 12.44% and 13.78% depending on their basic salary. The Chief Constable of Surrey makes an employer's contribution 21.3% of pensionable pay and operated through a pensions account. If there is a deficit on the Police Pensions Fund Account this is met by a transfer from the Income and Expenditure Account funded by the Home Office. Conversely, if there is a surplus this would be transferred to the Income and Expenditure Account for repayment to the Home Office.

The Pension Fund Account, shown below, shows a deficit of £21.1m, offset by a transfer from the Income and Expenditure Account, funded by a grant from the Home Office (£19.1m) and an additional contribution by the Group (£2.0m).

### Surrey Police Fund Account Statement

	2017/2018 £000	2018/2019 £000
<b>Contributions Receivable</b>		
From employer at 21.3%:		
Normal	(14,361)	(14,345)
Early retirements	(238)	(774)
Other	0	0
From members	(9,023)	(9,003)
<b>Transfers In</b>		
Individual transfers in from other schemes	(242)	(366)
<b>Benefits Payable:</b>		
Pensions	35,265	37,150
Commutations and lump sum retirement benefits	9,664	6,767
Lump sum death benefits	75	76
Lump sum ill-health benefits	309	1,517
<b>Payments to and on account of leavers</b>		
Refund of contributions	76	60
Individual transfers out to other schemes	82	0
<b>Sub-total for the year before transfer from the Group of amount equal to the deficit</b>	21,607	21,082
Additional 2.9% funding payable by local policing body to meet deficit for the year	(1,955)	(1,953)
<b>Additional funding payable to the Group to fund the deficit for the year</b>	(19,652)	(19,129)
<b>Total</b>	0	0

NET ASSETS STATEMENT	2017/2018 £000	2018/2019 £000
<b>Net current assets and liabilities</b>		
Contributions due from employer	0.0	0.0
Unpaid pension benefits	0.0	0.0
Amount due to sponsoring department	0.0	0.0
Other current assets and liabilities	0.0	0.0
<b>Net assets and liabilities</b>	<b>0.0</b>	<b>0.0</b>

## Note 26 - External Audit Costs

2017/18 Group £000		2018/19		Group £000
		CC £000	PCC £000	
54.0	Fees payable to Ernst & Young (2018/19 external auditors) with regard to external audit services carried out by the appointed auditor for the year	11.6	29.8	41.4
0	Fees payable in respect of other services provided by Grant Thornton (2017/18 external auditors) during the year	0	17.7	17.7
<b>54.0</b>	<b>Total</b>	<b>11.6</b>	<b>47.5</b>	<b>59.1</b>

## Note 27 - Related Parties

Officers of the Police and Crime Commissioner have direct control over financial and operating policies.

Details of all related party transactions are recorded in the Register of Members' Interest. Officers and Chief Officers of the Force and the Police and Crime Commissioner are required to declare whether they or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the Police and Crime Commissioner for Surrey and or the Chief Constable's Force during the financial year.

The Chief Executive has written to all Officers and Chief Officers of the Force and the Police and Crime Commissioner to collect this information. Responses were received from all recipients of the letter and related party transactions are disclosed for the 2018/19 year in respect of Legal services and the Police and Crime Commissioner.

Legal services are provided to the Surrey Police Group of circa £1.0m (2017/18: £1.2m) by Weightmans LLP Solicitor in the normal course of business during the year, Ms Hannah Walsh (Solicitor to the Surrey Police from 1 April 2017) is employed by Weightmans LLP.

### Central Government and Other Public Organisations

The Police and Crime Commissioner also has business relationships with the Government and a number of other public organisations such as some local authorities in Surrey.

These include the Home Office, the Department for Communities and Local Government, and Surrey County Council.

Central Government has effective control over the general operations of the Police and Crime Commissioner for Surrey as it is responsible for providing the statutory framework within which the Police and Crime Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Police and Crime Commissioner has with other parties (e.g. Precept regimes).

Details of grants received from government departments are set out in the subjective analysis Grant Income Note 9. Details of Joint working arrangements are included in the Collaboration Arrangements Note 20.



## Note 28 - Contingent Liabilities

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Group at 31 March 2019, they exclude potential costs where the liability is not yet established and/or the amounts are uncertain.

At 31 March 2019, the Police and Crime Commissioner and Chief Constable of Surrey Group had the following contingent liability issues:

- **Police Regulations On-call Payments**

The Chief Constable for Surrey Police, along with other Chief Constables has a contingent liability following successful claims in the court case *Allard v Devon and Cornwall Police* for unpaid overtime following recalls to duty.

This case arises from under-cover officers in Devon and Cornwall Police claiming under Police Regulations that they were entitled to on-call payments arising from having to take telephone calls throughout the course of their duties and outside of their normal working hours. This case was upheld against Devon and Cornwall at the High Court and the judge has selected a number of test cases to consider all of the issues arising in these claims against forces across the country.

Whilst the outcome of the legal case is not in doubt, the timings and amount of any payments due to the claimants are yet to be ascertained. Work remains ongoing by all forces to identify all claims and the quantum of each payment that is due. For these reasons no provision has been made in the 2018/19 Statement of Accounts.

- **Forensic Service Uncertainty**

The validity of evidence provided by a forensic testing company to the police service is currently under investigation and is an issue impacting on policing across England & Wales. Re-testing is still underway and it is reasonable to anticipate that some people may have been convicted of offences based on flawed data, and that conviction will have had a significant impact on their personal circumstances. As a result some kind of litigation may be forthcoming. At this point in time it is not possible to assess the number of likely claims or the financial exposure arising from them.

## Note 29 - Contingent Assets

The Group has no contingent assets to disclose at 31 March 2019.

## Note 30 - Financial Instruments

	Non-Current Financial Assets		
	Debtors		Total
	31 March 2018	31 March 2019	31 March 2019
	£000	£000	£000
<b>Pre IFRS 9 Categories</b>			
Loans and receivables	897		
<b>IFRS 9 Categories</b>			
Amortised cost		864	864
<b>Total financial assets</b>	<b>897</b>	<b>864</b>	<b>864</b>
Non-financial assets		0	0
<b>Total</b>	<b>897</b>	<b>864</b>	<b>864</b>

	Current Financial Assets				
	Debtors		Cash		Total
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2019
	£000	£000	£000	£000	£000
<b>Pre IFRS 9 Categories</b>					
Loans and receivables	37,299				
<b>IFRS 9 Categories</b>					
Amortised cost		809		14,477	15,286
<b>Total financial assets</b>	<b>37,299</b>	<b>809</b>	<b>0</b>	<b>14,477</b>	<b>15,286</b>
Non-financial assets		0		0	0
<b>Total</b>	<b>37,299</b>	<b>809</b>	<b>0</b>	<b>14,477</b>	<b>15,286</b>

	Non-Current Financial Liabilities		
	Borrowings		Total
	31 March 2018	31 March 2019	31 March 2019
	£000	£000	£000
Amortised cost	0	(15,635)	(15,635)
<b>Total financial liabilities</b>	<b>0</b>	<b>(15,635)</b>	<b>(15,635)</b>
Non-financial liabilities	0	0	0
<b>Total</b>	<b>0</b>	<b>(15,635)</b>	<b>(15,635)</b>

The loan from the PWLB Board was borrowed for capital purposes in line with the CIPFA Prudential Code for Capital Finance. The year-end balance represents totals for long term finance borrowing and loans, this includes accrued interest of £21k on the loan from the PWLB which is due within one year.

- For the loan from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- Estimated interest rates at 31 March 2019 for loans from the PWLB are based on a loan rate of 2.34% discounted at a rate of 1.25%.
- No early repayment or impairment is recognised.

The fair value of the PWLB loan is calculated at £17.9m as at 31 March 2019.

The fair values of short term trade payables and receivables, cash and cash equivalents are assumed to equal the book values. These are exempt from IFRS13.

The fair value of the PWLB loan is higher than the carrying amount because the fixed rate loan's 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 2019) arising from a commitment to pay interest to lenders above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Assets and Liabilities are measured at fair value using the IFRS13 Fair Value market approach which uses prices and other relevant information (inputs) generated by market transactions involving similar assets or liabilities. The IFRS on Fair Value includes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three input levels as follows:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

We have therefore categorised the valuations of the long term PWLB borrowing as a Level 1 input in the IFRS 13 fair value hierarchy.

	<b>Current Financial Liabilities</b>		
	<b>Creditors</b>		<b>Total</b>
	<b>31 March 2018</b>	<b>31 March 2019</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair value through profit and loss	0	(21)	(21)
Amortised cost	(17,693)	(2,101)	(2,101)
Other	0	0	0
<b>Total financial liabilities</b>	<b>(17,693)</b>	<b>(2,122)</b>	<b>(2,122)</b>
Non-financial liabilities	0	0	0
<b>Total</b>	<b>(17,693)</b>	<b>(2,122)</b>	<b>(2,122)</b>

## Note 31 - Nature and Extent of Risks Arising from Financial Instruments

The Group'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 Group
- Liquidity Risk – the risk that the Group might not have funds available to meet its commitment to make payments
- Market Risk/Interest Rate Risk – the possibility that financial loss might arise for the Group as a result of changes in such measures as interest rates and stock market movements.
- Market Failure Risk – the risk that financial loss might arise as a result of a failure in financial markets.

The Group'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. The Head of Finance is responsible for implementing the Group's approved Treasury Management Strategy which specifies the arrangements for specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Day-to-day treasury management activity is undertaken on behalf of the Group by Surrey County Council under the terms of a service level agreement.

### **Credit and Counterparty Risk**

A prime objective of the Group's treasury management activities is the security of the principal sums it invests. The Group maintains a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements, which includes all organisations included on Surrey County Council's counterparty lists.

The Group's only direct counterparty in relation to treasury management is Surrey County Council. All investments made by Surrey County Council are made in accordance with that Council's investment policies and prevailing legislation and regulations. If the list of counterparties and their time or value limits need to be revised, amendments are presented to the Surrey County Council Audit & Governance Committee. It is considered that these arrangements minimise the risk in this area.

The maximum exposure to credit risk at the Balance Sheet date was as follows: trade receivables £0.8m (2017/18 £0.9m), and cash and temporary loan investments £14.5m (2017/18 £19.1m). The Group does not have any material exposure to concentrations of credit risk with any single counterparty.

### **Liquidity Risk**

The Group aims to ensure that it has adequate but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it to have the level of funds available to it that are necessary to achieve the objectives stated in its Policing Plan.

Day-to-day cash balances are monitored on behalf of the Group under a service level agreement by Surrey County Council, whose remit is to aggregate and invest any surpluses with its own balances, and to pay interest based on its quarterly internal borrowing rate.

The Group has had sufficient available cash balances to meet its daily requirements. In March 2019 The PCC entered into an external Loan with PWLB for £15.6m in order to purchase land for Building the Future.

All trade and other payables are due to be paid in less than one year.

### **Interest Rate Risk**

The Group aims to protect itself against the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Group's finances.

Since the Group investment activity is undertaken by Surrey County Council, fixed and variable rate exposure limits are set so as not to conflict with that Council's prevailing limits. In order

to achieve this, both fixed and variable rate upper and lower exposure limits have been set at 100% and 0% respectively.

Surrey County Council employs a treasury consultant to advise on treasury strategy, provide economic data and interest rate forecasts. This information feeds into the Group's annual budget setting process, and allows for any adverse changes to be accommodated.

As at 31 March 2019, the Group has borrowing of £15.6m (2017/18 £0.0m) and hold £13.7m in variable rate loan investments (2017/18 £18.5m).

## Note 32 - Financing and Investment Income and Expenditure

2017/18			2018/19		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
0	0	Interest payable and similar charges	70	70	
0	49,563	Net interest on the net defined benefit liability (asset)	0	49,457	
(122)	(122)	Interest receivable and similar income	(213)	(213)	
<b>(122)</b>	<b>49,441</b>	<b>Total</b>	<b>(143)</b>	<b>49,314</b>	

## Note 33 - Other Operating Expenditure

2017/18			2018/19		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
0	612	Levies	0	455	
(399)	(399)	Gains/losses on the Disposal of Non-Current Assets	243	243	
326	326	Other	33	33	
<b>(73)</b>	<b>539</b>	<b>Total Other Operating Expenditure</b>	<b>276</b>	<b>731</b>	

## Note 34 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2018			31 March 2019		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
(122)	(122)	Interest received	(213)	(213)	
0	0	Interest paid	70	70	
<b>(122)</b>	<b>(122)</b>	<b>Total</b>	<b>(143)</b>	<b>(143)</b>	

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2018			31 March 2019		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
(7,349)	(7,349)	Depreciation	(7,554)	(7,554)	
1,379	1,379	Impairment and downward valuations	126	126	
(1,427)	(1,427)	Amortisation	(1,452)	(1,452)	
1,525	1,416	(Increase)/decrease in creditors	(2,855)	(3,161)	
(559)	(433)	Increase/(decrease) in debtors	539	43	
69	69	Increase/(decrease) in inventories	115	115	
0	0	Increase/(decrease) in contract assets and liabilities	0	0	
0	(57,096)	Movement in pension liability	0	(141,085)	
(4,615)	(4,615)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,264)	(1,264)	
1,318	1,192	Other non-cash movements charged to the surplus or deficit on provision of services	941	1,437	
<b>(9,659)</b>	<b>(66,864)</b>	<b>Total</b>	<b>(11,404)</b>	<b>(152,795)</b>	

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2018			31 March 2019		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
5,014	5,014	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,022	1,022	
806	806	Any other items for which the cash effects are investing or financing cash flows	801	801	
<b>5,820</b>	<b>5,820</b>	<b>Total</b>	<b>1,823</b>	<b>1,823</b>	

## Note 35 - Cash Flow from Investing Activities

31 March 2018			31 March 2019		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
8,602	8,602	Purchase of property, plant and equipment, investment property and intangible assets	30,110	30,110	
(5,014)	(5,014)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,022)	(1,022)	
(806)	(806)	Other receipts from investing activities	(801)	(801)	
<b>2,782</b>	<b>2,782</b>	<b>Net cash flows from investing activities</b>	<b>28,287</b>	<b>28,287</b>	

## Note 36 - Cash Flow from Financing Activities

31 March 2018			31 March 2019	
OPCC	Group		OPCC	Group
£000	£000		£000	£000
0	0	Cash receipts of short-term and long-term borrowing	(15,635)	(15,635)
(665)	(665)	Other receipts from financing activities	(715)	(715)
<b>(665)</b>	<b>(665)</b>	<b>Net cash flows from financing activities</b>	<b>(16,350)</b>	<b>(16,350)</b>

## Accounting Policies

### General Principles

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and reviewed by the Financial Reporting Advisory Board (FRAB). The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board (IPSAS) and the UK Accounting Standards Board (ASB) where these provide additional guidance.

Following the passing of the Police Reform and Social Responsibility Act 2011 the Police and Crime Commissioner for Surrey (PCC) and the Chief Constable of Surrey Police (CC) were set up as two 'corporation sole' bodies. Both bodies are required to prepare separate Statement of Accounts.

The Financial Statements included here represent the accounts for the PCC and also those for the PCC Group. The term 'Group' is used to indicate individual transactions and policies of PCC and CC for the year ended 31 March. Under the Police Reform and Social Responsibility Act 2011 the powers and responsibilities attributed to the PCC as the holding organisation identifies the requirement to produce group accounts.

### Fundamental Accounting Policies

The Statement of Accounts has been prepared in accordance with the following accounting concepts and principles:

- **Accruals** – the accrual basis of accounting establishes that the non-cash effects of transactions are reflected in the accounting period in which those effects occur, even if the resulting cash receipts and payments occur in a different period.

- **Going Concern** – the Accounts have been prepared on the assumption that the functions of the Group will continue in operational existence for the foreseeable future. This means in particular that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operation.
- **Understandable** – to ensure that the Statements of Accounts produced can be understood by readers who have a reasonable knowledge of business and economic activities.
- **Relevance** – to ensure that the information provided about the Group's financial position, performance and cash flow is useful for assessing stewardship of public funds and for making economic decisions.
- **Materiality** – provides a threshold or cut-off point to ensure that the information included in the Financial Statements is of such significance as to justify its inclusion. Omissions or misstatements of items are material if they could, individually or collectively, influence users decisions or assessment of the Financial Statements.
- **Reliability** – to ensure that the financial information provided accurately reflects the substance of the transactions and other events that have taken place.
- **Comparability** – the information contained in the Financial Statements has been prepared so that it can be readily compared with similar information about the same entity for different accounting periods and with similar information about other entities.
- **Primacy of Legislative Requirements** – the PCC derives powers from statute and the financial and accounting framework is closely controlled by primary and secondary legislation. Where specific legislative requirements and accounting principles conflict, the legislative requirement is applied. However, the Code deals with such conflicts by showing the position required by the Code's accounting requirements in the Comprehensive Income and Expenditure Statement, and the effect of the legislative requirements in the Movement in Reserves Statement.

The following sections set out the Group's principal accounting policies that have been reviewed and adopted in 2018/19.

### **Income & Expenditure Recognition**

Revenue (Income) is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods or services provided in the normal course of business less discounts and VAT.

Revenue is recognised when goods are delivered and title has passed. The provision of services contains many accounting aspects and revenue is only recognised when all related work has been completed or 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 flow to the PCC and group. Whilst all income is received by the PCC and all expenditure is paid for by the PCC including wages of police staff and officers, the actual recognition in the respective Police and Crime Commissioner and Chief Constable Accounts is based on economic benefit.

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



Income and Expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure. Works of a capital nature are charged as capital expenditure when they are completed, before which they are carried as Assets Under Construction on the Balance Sheet.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received, thus the accounts reflect the normal accruals concept for both capital and revenue. Exceptions to this can be made for utilities (gas, electricity, telephones, etc.), where invoices may be accounted for in the year they fall, providing that only four quarterly or twelve monthly invoices are charged in any one year.

Where revenue or expenditure have been recognised by cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Creditors are included within the Balance Sheet for goods and services received and risks and rewards of ownership transferred, but not paid for at the year end. Debtors are included within the Balance Sheet where services have been provided but not yet reimbursed at the year end.

### **Cash & Cash Equivalents**

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. All investments due in 1 day or less are therefore treated as "cash and cash equivalents", and are not therefore included within Investments.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one day or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Investments held by Surrey County Council on behalf of the Group are classified as cash equivalents as they are low risk, short term and readily available.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

### **Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors**

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 the Police and Crime Commissioner's 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.

## **Events after the Balance Sheet**

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. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **Government Grants and Contributions**

Government grants and third party contributions are recognised as income at the date the Group satisfies the conditions of entitlement to the grant or contribution, where there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Net expenditure is expressed before deducting government grants in support of the overall expenditure of the Group, e.g. specific police grants, revenue support grants and national non domestic rates. Other smaller revenue grants are shown as income in arriving at net expenditure, and can be matched against specific items of expenditure.

Amounts recognised as due to the PCC are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution, are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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.

## **Funding of Capital Expenditure to purchase Non-Current Assets**

Capital expenditure is funded by government grants, capital receipts, revenue contributions, third party contributions and borrowing.

Capital contributions and grants are accounted for in the Comprehensive Income and Expenditure Statement on an accruals basis (unless the grant or contribution has an unsatisfied condition); they are then transferred to the Balance Sheet as follows:

- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital reserves to finance expenditure.
- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred, the grant or contribution is transferred to the Capital Grants Unapplied Account, reflecting its status as a capital resource available to finance expenditure. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.
- When a capital grant or contribution has been received with conditions that the Group has not met, the grant or contribution is recognised in the Balance Sheet as Capital Grants Receipts in Advance. Once the condition has been met, the grant or contribution is transferred from the Capital Grants Receipts in Advance Account and recognised as income in the Comprehensive Income and Expenditure Statement and accounted for as above depending on whether expenditure has been incurred.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

At the year end the Police and Crime Commissioner reviews all material grants and considers whether any existing conditions are outstanding, and the appropriate accounting policy treatment is then applied accordingly.

## **Non-Current Assets – Property, Plant and Equipment**

Assets that have physical substance, are used to supply services and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

The cost of acquisition, creation or enhancement of Property, Plant and Equipment is capitalised, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Police and Crime Commissioner for a period of more than one year, 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.

When a component is replaced, restored or enhanced, the carrying amount of the old component is de-recognised, and the new component reflected in the carrying amount. The general de minimis capitalisation limit is £10,000 for all relevant expenditure. There is no de minimis limit for the purchase of land and buildings, or fleet vehicles.

### **Measurement**

Items of Property, Plant and Equipment are initially measured at cost, comprising all expenditure that is directly attributable to bringing the assets into working condition for their intended use.

The Police and Crime Commissioner does not capitalise its borrowing costs.

The Code stipulates that assets and liabilities should be measured and disclosures provided in accordance with IFRS 13 *Fair Value Measurement*. There are no adaptations to IFRS 13 for the public sector context. However, section 4 of the Code adapts IAS 16 to require that items of property, plant and equipment that are operational and therefore providing service potential for the authority are measured for their service potential at existing use value or depreciated replacement cost, and not fair value. Surplus assets of property, plant and equipment are measured at fair value.

Property, plant and equipment assets are therefore measured at current value as follows:

- Assets under construction - depreciated historical cost
- Land and Buildings - current value, determined using the following bases:
  - Operational properties – Existing Use Value (EUV) in accordance with RICS valuation standards
  - Operational specialised properties such as police custody centres – Depreciated Replacement Cost (DRC)
  - Non-operational properties such as police houses – Fair Value (based on Market Value)
  - All other assets – (EUV)

Depreciated Replacement Cost (DRC) is used for assets where there is no market-based evidence of current value and/or the asset is specialised.

Non-property assets that have short useful lives or low values (or both) are valued using the depreciated historical cost basis (DHC) as a proxy for current value. This is on the assumption that the useful life is a realistic reflection of the life of the asset and the depreciation method used is a realistic reflection of the consumption of that asset class.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Increases in valuations are recognised in the Revaluation Reserve to recognise unrealised gains unless the increase is reversing a previous impairment loss in which case it would be charged to the Comprehensive Income and Expenditure Statement. Decreases in valuations are recognised in the Revaluation Reserve to the extent of previous revaluation increases recognised in the Revaluation Reserve in respect of that asset, and decreases in excess of that amount are recognised in the Comprehensive Income and Expenditure Statement.

## **Component Assets**

The Police and Crime Commissioner recognises and records component assets separately from the main asset with which they are associated where the component life differs significantly. The Police and Crime Commissioner has agreed an accounting policy stating that for accounting purposes, the value of the component must be above a minimum material level of £200,000 and the value of the component constitutes more than 20% of the main asset category value. Where a component asset is identified it is written down on a straight line basis over its useful economic life in line with the depreciation policy for that class of asset.

## Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Examples of events and changes in circumstances that indicate impairment may have incurred include:

- Significant decline in a specific asset's carrying amount during the period;
- Evidence of obsolescence or physical damage of an asset;
- Commitment by the Group to undertake a significant reorganisation
- Significant adverse change in the statutory or other regulatory environment in which the Group operates.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and all impairment losses are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset and thereafter written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land), assets that are not yet available for use (i.e. assets under construction) and assets held for sale.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Approximate average depreciation periods are as follows:

- |                                |           |  |
|--------------------------------|-----------|--|
| • Buildings                    | 25 years  | (or as assessed by the valuer)                                   |
| • Plant, Furniture & Equipment | 5 years   | (or as assessed by the business)                                 |
| • Vehicles                     | 3-5 years | (depending on vehicle type as assessed by the Transport Manager) |

Revaluation gains are 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.

## Disposal

When a non-current asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Disposal proceeds are credited to the Comprehensive Income and Expenditure Statement and netted off against the asset's carrying value. The resulting balance represents either the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts in excess of £10,000 from the sale of non-current assets are defined as capital receipts and are used to fund future capital expenditure. These receipts are transferred to the Capital

Receipts Reserve via the Movement in Reserves Statement. Individual receipts of less than £10,000 remain in the Comprehensive Income and Expenditure Statement.

The disposal value is not a charge against council tax, as the cost of non-current assets is fully provided for under a separate arrangement for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement in Reserves Statement.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

### **Assets Held for Sale**

Non-current assets are classified as Held for Sale only if they meet all of the following criteria:

- The asset must be available for immediate sale in its present condition;
- The sale must be highly probable. This means the appropriate level of management within the Group must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The asset is re-valued immediately before reclassification and then carried at the lower of carrying value and fair value less costs to sell. Fair Value for Assets Held for Sale is the market value.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets Held for Sale are not depreciated.

### **Inventories (Stock) and Long Term Contracts**

Inventories are included in the Balance Sheet at cost. All other expenditure on stock and stores is charged to the revenue account in the year of purchase.

This policy is a departure from the IFRS standard IAS2 which requires inventories to be valued at the lower of cost or net realisable value. For many inventory items, particularly uniforms, net realisable value would be minimal and does not accurately reflect the value to the Group of holding these items. The variation from IAS2 does not have a material impact on these financial statements.

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.

## **Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Group recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Group and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

## **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Group 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 to the Group.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Group will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are included in the Balance Sheet at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service revenue accounts in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service revenue accounts in the Comprehensive Income and Expenditure Statement. Any gains or losses arising on the disposal or abandonment of an intangible asset are posted to the Comprehensive Income and Expenditure Statement. Gains or losses are not permitted to have an impact on the General Fund Balance therefore they are moved out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **Charges to Revenue for Non-Current Assets**

The Group is not permitted to raise council tax to cover charges for depreciation, impairment losses or amortisation. However it is required to make an annual provision from revenue towards the repayment of borrowing, known as the Minimum Revenue Provision (MRP).

Depreciation, impairment losses and amortisation are reversed from the General Fund via the Movement in Reserves Statement and MRP is charged as a contribution to the Capital Adjustment Account.

## **Debts Outstanding**

Income is accounted for on an accruals basis. Debts that cannot be collected are written off via the Comprehensive Income and Expenditure Statement to the command team or department that raised the debt. The level of any bad debt provision is reviewed annually.

The writing off of bad debt can be authorised by either the PCC's CFO or the CC's Executive Director of Commercial & Finance Services in respect of their own corporations up to a value of £10,000 for individual bad debt cases and £25,000 cumulatively in any one financial year. The write off of bad debts greater than these limits requires the approval of both CC's Executive Director of Commercial & Finance Services and PCC's CFO up to a maximum of a cumulative value of £50,000 in any one financial year. In Surrey the PCC will approve where appropriate the writing off of debts in excess of the CFOs delegated authority.

## **Reserves**

The Group maintains reserves to finance future commitments, unforeseen circumstances, fluctuations in annual grant settlements and council tax precepts and emergency expenditure which cannot be contained within the approved budget. The approved Reserves Policy sets a target for the level of General Reserve of 3% of budgeted expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, retirement benefits and other employee benefits and do not represent usable resources for the Group.

The nature and purpose of each reserve set up by the Group is described in the Notes to the Financial Statements.

The classification of reserves is consistent with the CIPFA Code of Practice and is reviewed annually by the Police and Crime Commissioner.

## **Overheads and Support Services**

The costs of overheads and support services are charged in line with the Code and Police Objective Analysis, the costs of support services are fully allocated to the Group's services.

## **Provisions and Contingent Liabilities**

### **Provisions**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation, but where the timing of transfer is uncertain. Provisions are recognised on the Balance Sheet.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Group 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 Group. 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.

### **Precept Income**

Precept income from relevant local authorities is fixed for the year and not subject to revision.

### **VAT**

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.

A single VAT return is submitted on behalf of the Group.

### **Leases**

Leases are classified as either finance leases or operating leases based on risks and rewards of ownership.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Police and Crime Commissioner as Lessee**

#### **Finance Leases**

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between a charge for the acquisition applied to write down the lease liability and the interest costs of the lease are charged to the Comprehensive Income and Expenditure Statement.

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

### **The Police and Crime Commissioner as Lessor**

#### **Operating Leases**

Where the Police and Crime Commissioner grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Employee Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Police and Crime Commissioner. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. 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 / Exit Packages**

Termination benefits are amounts payable as a result of a decision by the Group to terminate a member of staff's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Group is demonstrably committed to the termination of the employment of a staff member or group of staff members or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Group 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.

### **Long-term Employee Benefits – Pension Arrangements**

The Chief Constable operates, on behalf of the Group, three pension schemes for police officers and a single scheme for police staff:

- The Police Pension Scheme (PPS), regulated under the Police Pensions Act 1976
- The New Police Pension Scheme (NPPS), regulated under the Police Pension Regulations 2006
- The Police Pension Scheme 2015 (the 2015 scheme)
- The Local Government Pensions Scheme (LGPS), administered by Surrey County Council

All police schemes are contributory occupational pension schemes with officers making contributions.

A Police Pension Account was set up on 1st April 2006 to administer the police pension schemes. All police schemes are unfunded schemes which are treated as defined benefit schemes and provide defined benefits to members (retirement lump sums and pensions), earned as employees worked.

All police pension schemes are unfunded schemes which are treated as defined benefit schemes paid from revenue (without managed pension assets). Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS19 Employee Benefits, the net liability and a pensions reserve for both Pension Schemes has been recognised on the Balance Sheet, as have entries in the CIES for movements in the asset/liability relating to the defined benefit scheme. Transfers into and out of the Scheme representing joining and leaving police officers, are recorded on a cash basis in the Pension Fund, because of the length of time taken to finalise the sums involved.

Following the Code's requirements, IAS19 has been fully recognised in the Chief Constable and Group accounts.

- The liabilities of the police schemes attributable are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond

Police Staff are eligible to join the Local Government Pension Scheme (LGPS) administered by Surrey County Council. This is a funded scheme. The employer's contribution rate is determined by the Fund's actuary based on valuations every three years.

Additional contributions are payable to cover the cost of any early retirements except those due to ill-health. In addition the Chief Constable is responsible for all pension payments relating to any added years' benefits, together with the related increases.

- The assets of the LGPS attributable to Surrey Police are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value

The change in the net pension liability is analysed into seven components:

- **current service cost** - the increase in liabilities as a result of years of service earned this year allocated in the CIES to the services for which the employees worked
- **past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs

- **interest cost** - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the CIES
- **expected return on assets** - the annual investment return on the fund assets attributable to the Group, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the CIES
- **gains or losses on settlements and curtailments** - the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- **actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
- **contributions paid to the pension fund** - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Group has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the relevant Pension Scheme.

The Group also has restricted powers to make material payments in relation to injury awards. Any liabilities estimated to arise as a result of an award to any member of staff or police officer are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the relevant pension scheme.

### **Fair Value Measurement**

The PCC measures some non-financial assets, surplus assets and assets held for sale at fair value at each reporting date using the IFRS13 Fair Value market approach. Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The PCC uses External Valuers to measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

This fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Valuers use valuation techniques that are appropriate to the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The PCC follows the fair value hierarchy prescribed by IFRS13 to increase consistency and comparability in fair value measurements and related disclosures. This hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value as follows:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

## **Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the PCC 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 (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate 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 the PCC borrowings held, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

The Group has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and

- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 to the Financing and Investment Income and Expenditure line in the CIES 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The authority does not hold any soft loans.

### **Expected Credit Loss**

The authority will recognise material expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Profit of Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the PCC 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. The Police and Crime Commissioner does not currently make any soft loans.

## Interests in Companies and Other Entities

All the financial transactions incurred during the year for policing Surrey have been recognised and recorded within the Statement of Accounts of the PCC for Surrey, which sets out the overall financial position of the PCC and Chief Constable Group for the year ended 31 March.

The Group position therefore reflects the consolidated accounts of the PCC and its 100% subsidiary the Chief Constable. Where the Group position differs from the PCC position this is made clear within the statements and notes. Separate statutory accounts are prepared for the Chief Constable.

## Accounting Standards issued but not yet adopted

The Code for 2018/19 noted future accounting policy changes will need to be reported in relation to the following accounting standards:

Paragraph 3.3.2.13 of the 2018/19 code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2018/19 and 2019/20 financial statements in respect of accounting changes that are to be introduced in the 2019/20 Code are:

- ISA 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-16 cycle, and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

It is not expected that any of these amendments will have a material impact on the information provided in the financial statements.

## Glossary of Accounting Terms

### **ACCRUALS**

Expenditure or income for goods or services that have been received or supplied, but are not invoiced until the following financial year.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because, either events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

### **AMORTISATION**

An annual charge made to the overall PCC budget, reducing the value of an asset to zero, over a period of time.

### **CAPITAL EXPENDITURE**

Expenditure spent on the acquisition of a non-current asset or expenditure which adds to, and not merely maintains, the value of an existing non-current asset.

### **CAPITAL PROGRAMME**

A statement of proposed capital projects for current and future years.

### **CAPITAL RECEIPTS**

Proceeds of not less than £10,000 received from the disposal of buildings or other assets. They cannot be used to finance normal day to day revenue spending.

### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

The main revenue fund of the PCC receiving the precept, government grants and other income receipts, and from which the costs of providing services are met.

### **CREDITORS**

Individuals or organisations, to whom the PCC owes money at the end of the financial year.

### **CURRENT SERVICE COST (PENSIONS)**

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

### **CURTAILMENT (PENSIONS)**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: -

- Termination of employees' services earlier than expected, and
- Termination of or amendment to the terms, of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **DEBTORS**

Individuals or organisations, who owe the PCC money at the end of the financial year.

### **DEFINED BENEFIT SCHEME**

A defined benefit scheme is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the



contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

#### **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

#### **DEPRECIATION**

The measure of the cost, or re-valued amount of the benefit, of a non-current asset, that has been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset, whether arising from the use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

#### **EXPECTED RATE OF RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

#### **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. For land and buildings, fair value is the amount that would be paid for the asset in its existing use.

#### **FINANCE LEASE**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a non-current asset to a lessee.

#### **GENERAL FUND BALANCES**

Accumulated surpluses maintained to meet expenditure, pending the receipt of income, and to provide a cushion against expenditure being higher, or income lower, than expected.

#### **GOING CONCERN**

The concept that the PCC will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of the operations.

#### **GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets in return for past or future compliance with certain conditions relating to the activities of the PCC.

#### **IMPAIRMENT**

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet due to a significant decline in its market value during the period, evidence of obsolescence or significant physical damage to the non-current asset or a significant adverse change in the statutory or regulatory environment in which the PCC operates.

#### **INTANGIBLE ASSETS**

Intangible assets occur when capital expenditure does not result in the acquisition of a non-current asset, for example software licenses and training for development purposes etc.

## **INTEREST COSTS (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **INVESTMENTS (PENSION FUND)**

The investments of the pensions fund will be accounted for in the statement of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the PCC without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

## **MINIMUM REVENUE PROVISION (MRP)**

The statutory minimum amount set aside on an annual basis, as a provision to redeem debt.

## **NET BOOK VALUE**

The amount at which non-current assets are included in the Balance Sheet, i.e. their historic cost or current value less the cumulative amounts provided for depreciation.

## **NET CURRENT REPLACEMENT COST**

The cost of replacing an asset or the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## **NON-CURRENT ASSETS**

Tangible assets that yield benefits to the PCC and the services it provides for a period of more than one year.

## **OPERATING LEASE**

An operating lease is a lease other than a finance lease.

## **PAST SERVICE COSTS**

For a defined benefit scheme, 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 GRANT**

A specific grant paid to the PCC by the Home Office to support its revenue expenditure. It is a fixed sum calculated by the Government on an assumed needs basis.

## **PRECEPT**

An amount determined by the PCC (the preceptor) which is collected on its behalf by the local District Councils (the billing authorities) as part of the Council Tax.

## **PROJECTED UNIT METHOD**

A Projected Unit Method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- b) The accrued benefits for member in service on the valuation date.

**PROVISION**

An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

**RELATED PARTIES**

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party, or
- (ii) the parties are subject to common control from the same source, or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

**RELATED PARTY TRANSACTION**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

**RESIDUAL VALUE**

The residual value is the net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of acquisition (or revaluation) of the asset and do not take account of expected future price changes.

**REVENUE SUPPORT GRANT**

Central Government grant supporting the cost of public services.

**SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

**SETTLEMENT (PENSIONS)**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include: -

- a lump sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**WORK IN PROGRESS/ASSETS UNDER CONSTRUCTION**

Completed and continuing work required on an incomplete project.

## Police Pensions Fund Account Statements as at 31 March 2019

These statements show the contributions and benefits payable for the year

The Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social responsibility Act 2011. During the year all payments and receipts are made to and from the PCC Police Fund. This standalone statement shows income and expenditure for the police pension schemes and does not form part of the Chief Constable or the PCC Group's statement of accounts.

### Surrey Police Pension Fund Account Statement

	As at March 2018		As at March 2019	
	£000	£000	£000	£000
<b>Contributions Receivable</b>				
From Employer:				
- Normal	(14,361)		(14,345)	
- Early Retirements	(238)		(774)	
From Members	(9,023)		(9,003)	
		<b>(23,622)</b>		<b>(24,122)</b>
<b>Transfers In</b>				
Individual Transfers in From Other Schemes		(242)		(366)
<b>Total Inflows</b>		<b>(23,864)</b>		<b>(24,488)</b>
<b>Benefits Payable</b>				
Pensions	35,265		37,150	
Commutations and Lump Sums	9,664		6,767	
Lump Sum Death Benefits	75		76	
Lump Sum Ill-health Benefits	309		1,517	
		<b>45,313</b>		<b>45,510</b>
<b>Payments To and On Account of Leavers</b>				
Refund of Contributions	76		60	
Individual Transfers Out To Other Schemes	82		0	
		<b>158</b>		<b>60</b>
<b>Total Outflows</b>		<b>45,471</b>		<b>45,570</b>
<b>Net amount payable for the year from the Group (equal to deficit amount)</b>		<b>21,607</b>		<b>21,082</b>
Additional contribution from the Group to fund the deficit for the year *		<b>(19,652)</b>		<b>(19,129)</b>
Additional funding payable by the Police Operating Account to meet deficit for the year @ 2.9%**		<b>(1,955)</b>		<b>(1,953)</b>
<b>Net Amount Payable for the Year</b>		<b>0</b>		<b>0</b>

\* The annual deficit on the Police Pensions Account is funded by the Home Office Pension's Top-up grant. This income is shown in the PCC and Group Income and Expenditure account.

\*\* The difference between the deficit on the Pension Account and the amount funded by the Pensions Top-up Grant is met from the Police Operating Account.

### Police Pension Fund Net Assets Statement

Net Current Assets And Liabilities	2018/19	2017/18
	£000	£000
<b>Current Assets:</b>		
Contributions due from the PCC	0	0
Recoverable overpayments of pensions	0	0
<b>Current Liabilities:</b>		
Unpaid pensions benefits	0	0
Surplus for the year owing to the PCC	0	0
<b>Net Assets / (Liabilities)</b>	<b>0</b>	<b>0</b>

## **Police Pension Funds - Notes**

### **Accounting Policies**

The Police Pension Account Statements have been prepared to meet the requirements of Regulation 7(1) (d) of the Accounts and Audit Regulations 2003, which states that Chief Constables are obliged to include the police pensions account in their statement of accounts. They also meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards IAS19, as last amended on 16 June 2011. The Accounts have been prepared on an accruals basis. The statements do not take account of liabilities to pay pensions and other benefits in the future. This is reported upon separately in the Actuary's statement.

### **Explanatory Notes to the Police Pension Fund Account Statements**

The Chief Constable is required to include a separate police pension account in their Statement of Accounts and is responsible for paying the pension of its former police officers. The Pension Fund is administered by the Chief Constable in accordance with the Police Pension Fund Regulations 2007 (SI 2007 No 1932).

On 1 April 2006 new arrangements came into being for funding and accounting for the Police Pension Schemes. Before 1 April 2006 these pensions were paid from the Revenue Account and the Authority (preceding the Police Reform and Social Responsibility Act 2011 creating the two corporation sole bodies; the Police and Crime Commissioner for Surrey and the Chief Constable of Surrey) received funding from central government as part of the general funding formula to support payments of pensions. Prior to 1 April 2006, there were no employer contributions based on pensionable pay and no top-up grants.

From 1 April 2006 pensions are paid from a separate local police pensions account, rather than direct from the Income and Expenditure Account. Overall the change to the financial arrangements for police officer pensions is intended to be 'cost neutral' with no impact on either the national or local council tax payer.

There are currently three Police Officer pension schemes. Officers in the 'old scheme' currently contribute between 14.25% and 15.05% depending upon level of basic annual salary (prior to 1 April 2012 officers in the 'old scheme' contributed 11% of pensionable pay). Officers in the 'new scheme' currently contribute between 11.0% and 12.75% depending upon level of basic annual salary (prior to 1 April 2012 officers in the 'new scheme' contributed 9.5% of earnings or 6% if ineligible for ill-health benefits). From 1 April 2015 the Police Pensions Scheme 2015 came into effect and all current active members were transferred to this scheme – with the exception of those qualifying for protections allowing them to remain in their current scheme. Officers contribute between 12.44% and 13.78% depending on their basic salary. The Chief Constable makes an employer's contribution of 21.3% of pensionable pay. Employee's and Employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department. The Police Pension scheme has no assets to cover its liabilities, therefore the total payments to pensioners in any year must be paid for by current officer and employer contributions.

Under the current financing arrangements the Pension Account is balanced to nil at the end of the year. In the event that the Pension Account is in deficit, the Home Office partially reimburse the Police and Crime Commissioner and the remaining amount required to balance it to nil is met from the Police Operating Account.

The Net Asset Statement does not include liabilities to pay pensions and other benefits after the balance sheet date.

Liabilities to pay future pension benefits have been disclosed separately at Note 15 in accordance with IAS 19 'Employee Benefits'.

The New Police Pension Scheme (NPPS) applies to police entrants who joined the service on or after 6 April 2006 up to 31 March 2015, or who chose to transfer from the previous Police Pension Scheme (PPS) to the NPPS. The Police Pensions Scheme 2015 applies to all current active members who do not qualify for any protections allowing them to remain in their original scheme. Benefits payable under all three schemes are shown in tabular form below:

	<b>Police Pension Scheme (PPS) (1987)</b>	<b>New Police Pension Scheme (NPP) (2006)</b>	<b>Police Pensions Scheme 2015</b>
What is maximum pension	2/3 final salary, with option to exchange part of the pension for a lump sum	½ final salary plus fixed lump sum of 4 times the pension, with option to exchange part or all of lump sum for extra pension	Pension at retirement is the sum of each of the accrued pension pots, subject to revaluation at a rate of CPI +1.25% per year
Final salary basis	Pensionable remuneration is normally the average remuneration in the employee's final year	Earnings over the last ten years are taken into account via best average over 3 consecutive years	Scheme is a Career Average Revalued Earnings scheme
Length of service for maximum pension	30 years	35 years	No maximum length of membership
Earliest age to receive pension	Age 50 after 25 years of service Any age after 30 years of service Age 55 for less than 25 years of service Age 60 if leave service before compulsory retirement age with less than 25 years of service	Age 55 if remain in police service until that age  Age 65 if leave police service before age 55 or opting out of the scheme	Age 60 if remain in police service until that age.  State pension age if leave police service before age 60.
Pension increases	All pensions in payment, deferred pensions and children's pensions are increased annually in line with the Consumer Price Index.	All pensions in payment, deferred pensions and children's pensions are increased annually in line with the Consumer Price Index.	All pensions in payment, deferred pensions and children's pensions are increased annually in line with the Consumer Price Index.
How is pension accumulated	1/60 of final salary for first 20 years of service, plus 1/30 for final 10 years of service up to a maximum pension entitlement of 40/60.	1/70 of final salary for each year of service up to a maximum 50% of final pensionable after 35 years of service.	1/55.3th of pensionable earnings each year is added to the members' pension pot for each year of membership.