

# **SURREY POLICE AND CRIME COMMISSIONER**

## **STATEMENT OF ACCOUNTS**

**2012/2013**

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This publication has been produced by the Support Services Department, Surrey Police, Police Headquarters, Mount Browne, Sandy Lane, Guildford, Surrey, GU3 1HG

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## **EXPLANATORY FOREWORD**

### **1 Introduction**

2012/13 was a significant year of change for Policing in England and Wales. The Police Reform and Social Responsibility Act 2011 established Police and Crime Panels within each force, the first elections for Police and Crime Commissioners were held on the 15th November 2012 replacing Police Authorities. The new Police and Crime Commissioner (PCC) for Surrey took office on 22 November 2012, with responsibility 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.

This transition has been accounted for under FRS 6 'Acquisitions and Mergers' as functions were transferred in 'full' to the PCC and thus deemed to have taken effect from 1st April 2012 therefore no part year accounts have been provided for Surrey Police Authority. All assets and liabilities were transferred at their carrying amounts and there have been no adjustments to reserves resulting from the merger.

All the financial transactions incurred during 2012/13 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 2013. The Group position reflects the consolidated accounts of the PCC and the Chief Constable. 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. For completeness the Chief Constables Comprehensive Income and Expenditure Account and Balance Sheet are shown along-side the PCC and the PCC Group position in this Statement of Accounts.

Financial transactions are broadly incurred as follows:

The PCC receives all income 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 all Balance Sheet items with the exception of the Pension Reserve.

The Chief Constable incurs all operating costs (excluding those relating to the OPCC) which are 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.

This Foreword provides an overview of the new accounting arrangements and outlines the financial performance of the PCC and the PCC Group during 2012/13.

### **2 The Statement of Accounts**

The 2012/13 Accounting Statements and Core Financial Statements which follow this foreword, have been prepared in accordance with the 2012 Code (Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 Based on International Financial Reporting Standards) issued by CIPFA (Chartered Institute of Public Finance & Accountancy) 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 local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the PCC and PCC Group service, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for



council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance for the year before any discretionary transfers to or from earmarked 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 taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Balance Sheet.** This statement shows the value as at the 31<sup>st</sup> March 2013 of the assets and liabilities recognised by the PCC and PCC Group. The net assets (assets less liabilities) are matched by reserves, which are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves cannot be used to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that represent timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **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 amount of net cash flows arising from operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

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

### 3 Police & Crime Commissioner Financial Arrangements

#### 3.1 Method of Funding

Funding arrangements for police crime commissioners broadly follow the arrangements for local authorities. The PCC and PCC Group gross revenue budget (or operating budget) for 2012/13, was set at £208.8m (2011/2012, £212.3m). A summary of the funding sources is shown below:

	2011/2012 £m	2012/2013 £m
Home Office Police Grants	70.0	65.0
Non Domestic Rates	26.9	32.6
Revenue Support Grant	8.3	0.6
Community Support Officers	4.5	4.4
Council Tax Freeze Grant	2.5	2.5
<b>Total Central Support</b>	<b>112.2</b>	<b>105.1</b>
Gross Council Tax Requirement	98.9	102.7
General Reserves	1.2	1.0
<b>Total Funding</b>	<b>212.3</b>	<b>208.8</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 and the Department for Communities & Local Government, 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 Core Financial Statements.

End of year variations to the £208.8m budget (2011/2012 £212.3m) 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 2012/2013 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.

### **3.2 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

## **4 Operating (Revenue) Expenditure**

The PCC budgeted to spend £208.8m in 2012/2013 which included £1m use of reserves. Expenditure of £207.8m was actually incurred therefore resulting in the £1m being returned to reserves. This is summarised in the following table.

	<b>£m</b>
Gross Budget	208.8
Out-turn Expenditure	207.8
Gross Variation	1.0
To/(from) Reserves	1.0

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

Detailed analysis of actual expenditure for the year ended 31<sup>st</sup> March 2013 can be seen in the Comprehensive Income and Expenditure Statement.

## **5 Capital Expenditure**

The approved capital budget totalled £8.3m for 2012/2013 (£11.1m in 2011/2012) which, combined with prior year budget approvals brought forward on incomplete schemes, increased the budget to £16m (£16.9m in 2011/2012). The Capital Strategy Board closely monitors capital budget/expenditure as capital schemes by their nature often span a number of financial years. In 2012/2013 actual expenditure of £8.2m (£10.2m in 2011/2012) was

incurred, which was funded by capital grants, capital receipts, revenue, and third party contributions. The under spend is to be carried forward to 2013/2014. The major schemes that continue into 2013/2014 are:

Digital Audio Interviewing  
Salford Custody Suite

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

## **6 Borrowing**

The approved 2012/13 capital programme was planned to be supported by borrowing but due to favourable cash flows in 2012/2013 it was not necessary for the Police and Crime Commissioner to take out any external borrowing to assist in financing the capital programme. As at 31st March 2013 there is no outstanding external borrowing except for the liability against a finance lease.

## **7 Employee Pension Schemes**

Employees of Surrey Police are able to join a pension scheme. For police staff the Local Government Pension Scheme (LGPS) is available and police officers can join the Police Pension Scheme. They are both defined benefit schemes, but differ in their operation. A fuller explanation is provided in the Notes to the Financial Statements.

## **8 Overall Financial Position**

The level of available revenue balances, earmarked reserves and general reserves, held by the PCC has increased from £15.4m to £17.6m. The balance of £17.6m represents 8.4% of the 2012/2013 annual budget. General Reserves are £9.4m, 4.5% of the annual budget at the end of 2012/13 with earmarked reserves at £8.2m.

The full costs associated with the pension schemes are disclosed in the Group Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, and Balance Sheet. As can be seen in more detail later in this document, Surrey Police has two pension schemes to meet the needs of its employees' retirement benefits. The scheme for police officers is an un-funded scheme and is in deficit, resulting in an estimated liability of £1,404.5m. The LGPS is a funded scheme but is also currently in deficit, with an estimated liability of £68.4m. Further details are disclosed in the notes.

The earmarked reserves are held as follows: At 31<sup>st</sup> March 2013 £2.8m was held against the PCC and PCC Group's estimate of existing insurance liabilities under the current self-funded arrangements, £1.6m in Ill health reserves, £0.3m in a healthcare reserve, £0.9m in an Employee Retention reserve, and £0.5m in an OPR reorganisation reserve. One new reserve was created this year; £2.1m was transferred from the Police Staff Pension Scheme provision to create a Police Staff Pension Scheme reserve.

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

## 9 Financial Outlook


The Group continues to monitor the overall outlook of the UK economy and the impact it has on its business. The Group has already reacted to the need for austerity in the short term by restructuring the operational and support functions as Government funding falls to meet the national budget deficit. The Medium Term Financial Plan (MTFP) continues to reflect the decreasing level of funding from central Government, which is being mitigated by the Force's efficiency-driven strategic change programmes.

The Group has established a number of significant strategic collaborations and continues to be actively involved with projects, working together with neighbouring forces in operational and support areas. Active collaborations are achieving significant cash savings and maintaining, or improving, levels of service and public confidence in the agreed areas.

During 2012/13 operational collaboration units set up with Sussex Police have included Major Crime Investigation, Forensic Investigation and Firearms with further opportunities being explored for Dogs, Surveillance, High-tec Crime and Control Rooms. In the Support Services area a Joint Procurement Service was established during 2012/13 and work is currently underway on a Joint Transport Service. Other opportunities such as aligning systems, policies and processes in HR, Finance and ICT are also being explored.

In a wider area, working more closely with other public services to give information sharing, joined up working and economies of scale are also being considered.

Details of the PCC's plans for revenue and capital expenditure in 2013/2014 can be found in the Surrey Police Budget and Precept paper. 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 web site at [www.surrey-pcc.gov.uk](http://www.surrey-pcc.gov.uk)



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

**27 September 2013**

# **REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS**

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

### **Opinion on the financial statements**

We have audited the financial statements for the Police and Crime Commissioner for Surrey for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner Single Entity and Group Movement in Reserves Statement, the Police and Crime Commissioner Single Entity and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner Single Entity and Group Balance Sheet, the Police and Crime Commissioner Single Entity and Group Cash Flow Statement and the related notes and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. 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 2012/13.

This report is made solely to the Police and Crime Commissioner for Surrey in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of the Treasurer's Responsibilities, 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner Single Entity and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Surrey as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

As a result of matters arising from our work to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources, as set out in other matters on which we are required to conclude below, we are considering whether any further action is required under the Audit Commission Act 1998.

## **Other matters on which we are required to conclude**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the Police and Crime Commissioner has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work on the decision to terminate the SIREN IT Project, your financial performance and financial health and your arrangements to transition from the former Police Authority to the Office of the Police and Crime Commissioner and Office of the Chief Constable.

As a result of our work, we have the following matter to report:

Our work in relation to the decision to terminate the SIREN IT project has identified issues around the effectiveness of your arrangements for:

- project management;
- governance; and
- producing information to support decision making

As set out above, we are considering whether any further action is required under the Audit Commission Act 1998.

### **Certificate**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of whether any further action is required under the Audit Commission Act 1998 in respect of our work on the decision to terminate the SIREN IT project. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion that we have not already taken in to account.

**Paul Grady**  
**Director**

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

28 September 2013

## 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 audited Statement of Accounts.



**Kevin Hurley**  
**Police and Crime Commissioner**  
**for Surrey**

Date: 27 September 2013

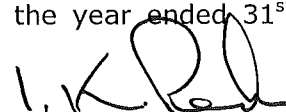
### **The Responsibilities of the Treasurer**

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; and
- 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<sup>st</sup> March 2013.



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

Date: 27 September 2013



## **Surrey Police and Crime Commissioner Annual Governance Statement 2012/13**

All Police & Crime Commissioners (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 2012/13 (Chartered Institute of Public Finance & Accountancy, CIPFA).

### **Scope of Responsibility**

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 Police & Crime Commissioner (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

The Chief Constable retains operational control of the Force in the new governance arrangements, which must not be fettered by the PCC.

The PCC is supported by a Deputy PCC and two Assistant PCCs as well as a small team of staff who form the Office of the Surrey Police & Crime Commissioner (OPCC). 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.

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.

### **Role of the Police Authority until November 2012**

Prior to the PCC elections in November 2012, governance and oversight of the police fell to the 17-member police authority which was abolished on 22<sup>nd</sup> November 2012. Until its abolition, Surrey Police Authority was responsible for ensuring that its business was conducted in accordance with the law and proper standards and that public money was safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging these responsibilities, the Authority was obliged to put in place proper accounting arrangements for the governance of its affairs and for ensuring that there was a sound system of internal control which facilitated the effective exercise of its functions and which included arrangements for the management of risk. These arrangements were discussed in detail in the Police Authority's final Annual Governance Statement published in September 2012.

This report concentrates on the governance arrangements of the incoming PCC. However, for the purposes of identifying significant governance issues, the report covers the entire financial year and refers both to the Police Authority and PCC.

### **The Governance Framework: Scheme of Corporate Governance**

Surrey OPCC has approved and adopted a Scheme of Corporate Governance which is consistent with the principles of the CIPFA/Society of Local Authority Chief Executives

(SOLACE) Framework, 'Delivering Good Governance in Local Government'. 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 as follows:

- 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 Consent: *key roles of the PCC and those functions delegated to others*
- Financial Regulations: *the framework for managing the PCC's financial affairs*
- Contract Standing Orders: *rules for the procurement of goods, works and services*

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.

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.

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.

The Scheme of Corporate Governance has been in place at Surrey OPCC for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

### **Setting the Strategic Direction for Surrey Police**

It is the role of the PCC to set the strategic direction for Surrey Police and this is articulated in the PCC's Police & Crime Plan. The Plan is a key public document that describes how Surrey Police will focus the delivery of policing. It does not contain any targets as the PCC is of the view that targets can skew police activity away from doing the right thing for the public. It does however highlight areas of priority as identified by the public and partners and provides a basis for how the PCC will hold the Chief Constable to account for Force performance and where the PCC would expect financial resource to be prioritised. The Plan also directs the work of the OPCC, which has its own business plan.

### **Process for setting objectives and targets that support the Policing Priorities outlined in the Police & Crime Plan and reporting to the PCC**

The Police & Crime Plan is based on the six 'promises' made by the Surrey PCC, Kevin Hurley, in the run up to the elections in November 2012 and which effectively became his mandate once elected. These promises were developed through studying local and national surveys, through first-hand experience of working in the police service and by talking to many people about their experiences of policing and community safety. Following the elections, further consultation was undertaken to 'test' the promises with the public and partner organisations. A number of large scale public meetings were held in early 2013, as well as specific

consultation with businesses and victims of crime. Support for the promises, which became the six 'People's Priorities' in the Police & Crime Plan was extremely strong. The six priorities that form the basis of the Police & Crime Plan are:

- *Take a zero tolerance policing approach*
- *More visible street policing*
- *Put victims at the heart of the criminal justice system*
- *Give people a greater say on how their streets are policed*
- *Protect local policing*
- *Be uncompromising in the standards expected from the police*

The full Plan has been published [here](#) on the PCC's website.

The Plan also takes account of the professional views of the Chief Constable, the nationally-set Strategic Policing Requirement and the priorities of partners as set out in the Surrey Strategic Assessment.

The Plan has been subject to scrutiny and approval by the Police & Crime Panel in March 2013, who gave it unanimous support. It also has the support of the Chief Constable whose role is to deliver the operational policing elements of the Plan.

### **Holding the Chief Constable to account and monitoring performance**

Holding the Chief Constable to account is one of the PCC's key statutory responsibilities in order that he, and indeed the wider public, can see how Surrey Police is progressing against the Police & Crime Plan. The PCC must also ensure there is proper oversight, scrutiny and accountability and that Surrey Police's work is conducted ethically, effectively and efficiently. The PCC recognises that his oversight of the Force must not undermine the operational independence of the Chief Constable or her ability to direct and control the Force.

In order to monitor performance against the Police & Crime Plan and hold the Chief Constable to account, the PCC has established bi-monthly 'management meetings'. These are held in public and are webcast. They provide an opportunity to demonstrate in an open and transparent way that the Chief Constable is policing Surrey according to the Plan and that she is fulfilling her duties in areas such as equality and diversity, cooperation with partners in community safety and criminal justice, meeting the Strategic Policing Requirement and safeguarding children.

The OPCC has developed a work programme of scrutiny items that are discussed at management meetings to ensure that the PCC is discharging his oversight responsibilities. The Chief Constable is asked to update on issues such as reducing anti-social behaviour, crime rates, seizure of assets, complaints, how victims are being treated, public engagement opportunities and professional standards. These meetings also allow the PCC to examine financial information, including progress against the Medium Term Financial Plan and savings targets.

The PCC also keeps track of performance and people's views through regular public meetings and has established a series of public Crime Summits, in partnership with local authorities and other partners. A number have already been held with more planned. These allow local people to feed in their views on policing and community safety.

In addition, staff of the OPCC attend regular Surrey Police performance meetings (known as SPECS - Surrey Performance Evaluation Computerised Statistics). Performance against the Policing Priorities and also financial performance are reviewed and those responsible for service delivery are challenged where necessary. Staff from the OPCC also attend the Force's Strategic Change Board (which oversees all Force business change projects), the Joint Procurement

Board and the Capital Strategy Board (where new and existing contracts are reviewed, areas of high value expenditure are managed and savings and value for money are promoted).

## **Scrutiny and Support for the PCC**

### **The Office of the Police & Crime Commissioner**

The PCC is supported by a small team of staff who support him in his role. This team helps the PCC deliver his statutory responsibilities and run an effective office. It supports the PCC's governance arrangements, provides independent policy advice, runs a custody visiting scheme, liaises with partners, arranges consultation, deals with quasi-judicial functions, administers grants, commissions community safety services, handles complaints, correspondence and media.

Following the abolition of the Police Authority, the staff from the Authority transferred to the Office of the PCC. At this point, an exercise was undertaken to ensure that the team has the necessarily capacity and capability to support the new functions of the PCC. The structure is kept under review by the Chief Executive. Every member of staff has a job description and is set clear objectives (which relate to the PCC's business plan), which are reviewed regularly. Staff are offered training and development where appropriate. The Police and Crime Panel also monitor the performance of the PCC and his Deputy.

In addition to job descriptions, a clear scheme of delegation/consent is in place to describe who makes decisions and to set out lines of accountability. The office is also structured so that relevant OPCC policy officers are consulted and involved in key decision-making and are able to advise the PCC on their particular areas of expertise in advance of decisions being made.

### **The Police & Crime Panel**

The Police and Crime Panel is a new element in the police governance structure which exists to scrutinise the PCC (not the Chief Constable), to promote openness in the transaction of PCC business and also to support the PCC in the effective exercise of his functions. It comprises elected members from each of the 11 local authorities in Surrey plus two independent representatives. The Panel has a number of key statutory roles including reviewing the draft Police & Crime Plan and Annual Report, holding confirmation hearings for senior appointments and overseeing complaints about the conduct of the PCC. It also has a power of veto over the PCC's proposed council tax precept and Chief Constable appointments.

In Surrey, the PCC, his Deputy and senior staff have attended every meeting of the Police & Crime Panel. Protocols have been established to ensure the effective transaction of business such as handling of complaints and information sharing. Meetings are webcast.

### **The Joint Audit Committee**

The newly formed Joint Audit Committee is also an essential element of the governance structure. It provides independent assurance to the PCC and Chief Constable about the adequacy of their financial management and reporting. The Committee helps to raise the profile of internal control, risk management and financial reporting issues within Surrey Police and provides a forum for discussion with internal and external auditors. Meetings are held in public and papers are published on the PCC's website.

### **Internal Audit**

In March 2011, the Police Authority took a decision to enter into an agreement with other participating local authorities to establish a consortium in the county for the purposes of jointly procuring internal audit services. Following a competitively tendered process, RSM Tenon was appointed internal auditor for Surrey Police Authority and latterly the PCC, from 1<sup>st</sup> April 2012. RSM Tenon operate in accordance with the CIPFA Code of Practice for Internal Audit and the Internal Standards published by the Global Institute of Internal Auditors.

The Internal Auditors have worked in line with an Audit Strategy drawn up initially by the Police Authority but reviewed upon the arrival of the PCC. The CIPFA code requires Internal Audit to provide an opinion on the overall adequacy and effectiveness of the governance framework. An interim opinion was issued following the abolition of the Police Authority and the final opinion for 2012/13, based on the work undertaken by the Internal Auditors in 2012/13, is set out below:

### **Internal Audit opinion 2012/13**

*The 12 months covered by our opinion has seen a significant change in the structure of both organisations with the abolition of the Police Authority and the creation of the Office of the Police and Crime Commissioner (OPCC) in November 2012. Although the Surrey Police Force has remained in place, its governance and reporting structures have changed as a result of the creation of the OPCC.*

*At the final meeting of the Police Authority Audit Committee on 12th November 2012 we presented our interim annual report for the period from 1st April 2012 to 21st November 2012 where we gave positive opinions for governance, risk management and control. We gave a green rating for governance and amber for both risk and control based on the work carried out on the Surrey Police Force and Surrey Police Authority.*

*For the 12 months ended 31 March 2013, our opinion therefore takes into account our interim opinion to the Surrey Police Authority and Police Force and also the work that we have subsequently carried out for both the OPCC for Surrey and the Surrey Police Force from November 2012 to the 31st March 2013.*

*Based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of the arrangements for governance, risk management and control is that for the majority of areas we reviewed there were adequate arrangements in place. However, we recognise that further work, which is consistent with the sector as a whole, is required to fully embed governance and risk management arrangements.*

### **Risk management processes by which the PCC identifies and seek to mitigate key risks**

The OPCC maintains its own Risk Register and Assurance Framework which are regularly reviewed by both the OPCC's staff and by the Joint Audit Committee. The Audit Committee also has oversight of the Force's high level and shared risks.

The joint OPCC and Force Risk Management Strategy has been developed and implemented to collate all internal and external organisational risk intelligence, to evaluate risk using a standard corporate methodology and to develop appropriate control strategies along with on-going monitoring of progress and impact. The Strategy has been subject to recent review by internal auditors and has been published on the PCC's website.

### **Compliance with CIPFA's Statement on the Role of the Chief Finance 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 professionally qualified, report directly to the PCC or the CC (depending on the specific CFO concerned) and be a member of the leadership team. In the OPCC, the role of the CFO meets these requirements. In Surrey Police, the CFO is a key member of the Chief Constable's leadership team, but does not report directly to the Chief Constable. To deliver Support Services in a more effective and cost efficient way, the Force Chief Officer Group considers that it has adopted a more appropriate management arrangement, in that the CFO reports to the Assistant Chief Constable (Support Services), albeit the CFO continues under this arrangement to have a direct right of access to the Chief Constable on financial matters.

### **Developing, communicating and embedding codes of conduct and defining the standards of behaviour for the PCC, officers and staff**

The statutory Policing Protocol provides that the PCC will abide by the seven principles set out in the Standards in Public Life, known as the Nolan Principles. There is no requirement for the PCC or his Deputy to sign up to a Code of Conduct. However, in order to demonstrate their commitment to good governance, both have signed up to a voluntary code which outlines their responsibilities. The Code has been published on the PCC's [website](#).

The Police & Crime Panel has a role in handling any complaints about the conduct of the PCC or Deputy PCC. A protocol for handling any incoming complaints has been established between the OPCC and the Panel.

The OPCC's policy in relation to the disclosure of interests and register of gifts and hospitality is set out in Contract Standing Orders. Details of all interests and gifts received by the PCC, his Deputy and senior staff are published on the PCC's website. The PCC also retains oversight of arrangements in place for the Chief Constable. The Audit Committee has a role to review compliance with the policies and procedures governing declarations of interest and the receipt of gifts and hospitality.

The PCC is bound by the Elected Local Policing Bodies (Specified Information) Order 2011 which sets out information that every PCC must publish. The OPCC will ensure compliance with this order.

The OPCC and Force also have in place arrangements for the reporting of all financial irregularities. Utilising existing arrangements for confidential reporting of unacceptable behaviour, it also incorporates procedures to ensure all reports are conveyed to senior Force managers and then to the Section 151 Officer, in line with Financial Regulations. The Audit Committee has a role in overseeing the policies for anti-fraud, anti-corruption and whistle blowing.

The PCC himself has set a priority for uncompromising standards for Surrey Police. He looks to the Chief Constable and other leaders to ensure that officers are inspired to deliver a professional, courteous and positive approach to policing with high standards of delivery of service, ethics, integrity, dress and appearance.

### **Processes for receiving and investigating complaints from the public and oversight of Force complaints**

There are a number of organisations who deal with complaints against the police, depending on the nature of the complaint. The responsibilities of the PCC are set out in the Police Reform Act 2002, the Police Reform and Social Responsibility Act 2011 and the Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012. They include keeping informed about complaints, providing the Independent Police Complaints Commission (IPCC) with information and documentation to carry out its functions, referring complaints or misconduct matters to the IPCC where the Chief Constable has decided not to and to act as the 'appropriate authority' for complaints and conduct matters against the Chief Constable.

The OPCC has a complaints policy that sets out the way it will deal with complaints received. The OPCC also regularly reviews complaints trends in Surrey Police.

The Police & Crime Panel has responsibility for handling all non-criminal complaints about the PCC and his Deputy, including conduct matters and any criminal complaints or conduct matters that are referred back to the Panel by the IPCC.

### **Establishing clear channels of communication with all sections of the community and other stakeholders on priorities and plans**

Being visible and accessible is a key requirement of a PCC and in Surrey, the PCC has made a commitment to give local people a greater say in how the streets are policed. The PCC has

recognised that there is much good practice in Surrey already, but wants to build on this with two new consultation-type meetings – Crime Summits and Local Policing Boards.

The PCC wishes to work with local partners to ensure there is a mechanism in every borough and district that allows him and other elected leaders to hear about local priorities and issues. Annual Crime Summits in each of the 11 borough and districts in Surrey will provide an opportunity to consult with the public, promote local partnership successes and present current issues. In addition, Local Policing Boards will be held regularly at a borough level and are intended to fill the gap that the PCC believes exists between ward level engagement and strategic engagement. The summits and boards provide an opportunity to discharge the Police & Crime Plan priority to 'give you the opportunity to have a greater say in how streets are policed'.

The PCC is also keen to make best use of social media, including Facebook and Twitter, as a means to engage with the community. This is in addition to more traditional communication methods that are available including telephone, email and written communication. Details of how to contact the PCC are set out on his website.

The PCC has also appointed two Assistant Commissioners who will focus specifically on engaging with victims of crime and with harder to reach or minority groups.

### **Incorporating good governance arrangements in respect of partnerships and other group workings as identified by the Audit Commission's report on the governance of partnerships**

The PCC is committed to understanding the community safety needs of Surrey residents and, with partners, to developing strategic priorities that are right for the County. The PCC aims to ensure that organisations work in synergy to make the most out of the resources they have and to improve quality of life in Surrey. The PCC and his Deputy play an active part in Community Safety Partnerships and have initiated a review of strategic partnership arrangements in Surrey and links to other partnerships such as the newly established Health & Wellbeing Board. The PCC's Deputy has taken a lead on partnership activity on behalf of the PCC.

For 2013/14, the PCC received a Community Safety Fund of £659,000. This money is not 'ring-fenced' for specific projects and is intended to give the PCC the flexibility to directly support projects and initiatives that help to deliver against the people's priorities. The process by which the PCC will award grants and details of those projects he has supported are published on his [website](#).

In future, it is likely that the PCC will receive additional funding streams for the commissioning of community safety and crime-related services.

### **Review of effectiveness**

The OPCC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the PCC, his Deputy and senior officers who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The Audit Committee will review the effectiveness of the governance framework to ensure that arrangements continue to be regarded as fit for purpose.

### **Significant governance issues**

#### **2012/13**

In March 2012, an internal audit report made two 'fundamental' recommendations in respect of Surrey Police's disaster recovery procedures. Progress against these recommendation has been monitored at the Police Authority's Audit Committee and new Joint Audit Committee and

Surrey Police has provided assurance that procedures have been updated, with the outcomes of a piece of work to assess effectiveness pending.

In December 2012 an audit of key finance processes raised one 'high' recommendation in relation to ensuring that purchase requisitions and orders are produced and authorised prior to purchase. Surrey Police has completed this action, with guidance provided to particular groups where necessary.

An audit in April 2013 into potential recipients of the PCC's Community Safety Fund resulted in a 'high' recommendation in relation to structures and processes deployed by the Drug and Alcohol Action Team in Surrey. This function has now been subsumed by Public Health, which is the responsibility of Surrey County Council. The PCC continues to maintain close links with the new organisation to ensure funding will be distributed appropriately and to best effect.

#### **2013/14**

In April 2013, the PCC made a decision to terminate a significant computer technology project known as 'Siren'. His decision was informed by the professional advice of the Chief Constable from an operational perspective, as well as an independently commissioned audit report by Mazars. The PCC concluded that the Siren system no longer represented the best long term option for the Force or the public and that greater benefit could be achieved by exploring collaborative opportunities with other regional forces.

This decision has resulted in significant sunk costs, some of which will be written off in 2013/14. External auditors, Grant Thornton, will now be reviewing the decision to terminate Siren in order to consider whether the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in respect of this project.

**Signed:**

A handwritten signature in black ink, appearing to read 'Kevin Hurley', with a horizontal line drawn underneath the name.

**Kevin Hurley**  
**Police & Crime Commissioner for Surrey**

Date: 27 September 2013



## **2012/2013 FINANCIAL STATEMENTS**

# **Movement in Reserves Statement for the Police and Crime Commissioner for Surrey Group**

	General Fund Balance £m	Earmarked Reserves £m	Pension Reserve £m	Capital Grants Unapplied £m	Capital Receipts Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
<b>Balance at 1 April 2011</b>	<b>7.5</b>	<b>5.3</b>	<b>(1,113.1)</b>	<b>0.3</b>	<b>0.0</b>	<b>(1,100.0)</b>	<b>102.1</b>	<b>(997.9)</b>
Surplus or (deficit) on provision of services	(60.8)	0.0	0.0	0.0	0.0	(60.8)	0.0	(60.8)
Other Comprehensive Expenditure and Income	0.0	0.0	(55.7)	0.0	0.0	(55.7)	3.5	(52.2)
<b>Total Comprehensive Expenditure and Income</b>	<b>(60.8)</b>	<b>0.0</b>	<b>(55.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>(116.5)</b>	<b>3.5</b>	<b>(113.0)</b>
Adjustments between accounting basis & funding basis under regulations	1.4	0.0	0.0	0.1	0.0	1.5	(1.4)	0.1
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(59.4)</b>	<b>0.0</b>	<b>(55.7)</b>	<b>0.1</b>	<b>0.0</b>	<b>(115.0)</b>	<b>2.1</b>	<b>(112.9)</b>
Transfers to / from Earmarked Reserves	60.8	1.2	(62.0)	0.0	0.0	0.0	0.0	0.0
<b>Increase / Decrease in Year</b>	<b>1.4</b>	<b>1.2</b>	<b>(117.7)</b>	<b>0.1</b>	<b>0.0</b>	<b>(115.0)</b>	<b>2.1</b>	<b>(112.9)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>8.9</b>	<b>6.5</b>	<b>(1,230.8)</b>	<b>0.4</b>	<b>0.0</b>	<b>(1,215.0)</b>	<b>104.2</b>	<b>(1,110.8)</b>
Surplus or (deficit) on provision of services	(60.7)	0.0	0.0	0.0	0.0	(60.7)	0.0	(60.7)
Other Comprehensive Expenditure and Income	0.0	0.0	(183.0)	0.0	0.0	(183.0)	2.8	(180.2)
<b>Total Comprehensive Expenditure and Income</b>	<b>(60.7)</b>	<b>0.0</b>	<b>(183.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>(243.7)</b>	<b>2.8</b>	<b>(240.9)</b>
Adjustments between accounting basis & funding basis under regulations	3.8	0.0	0.0	(0.2)	2.4	6.0	(6.0)	0.0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(56.9)</b>	<b>0.0</b>	<b>(183.0)</b>	<b>(0.2)</b>	<b>2.4</b>	<b>(237.7)</b>	<b>(3.2)</b>	<b>(240.9)</b>
Transfers to / from Earmarked Reserves	57.4	1.7	(59.1)	0.0	0.0	0.0	0.0	0.0
<b>Increase / Decrease in Year</b>	<b>0.5</b>	<b>1.7</b>	<b>(242.1)</b>	<b>(0.2)</b>	<b>2.4</b>	<b>(237.7)</b>	<b>(3.2)</b>	<b>(240.9)</b>
<b>Balance at 31 March 2013</b>	<b>9.4</b>	<b>8.2</b>	<b>(1,472.9)</b>	<b>0.2</b>	<b>2.4</b>	<b>(1,452.7)</b>	<b>101.0</b>	<b>(1,351.7)</b>

**Movement in Reserves statement for the Police and Crime Commissioner for Surrey (PCC)**

	General Fund Balance £m	Earmarked Reserves £m	Capital Grants Unapplied £m	Capital Receipts Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
<b>Balance at 1 April 2011</b>	<b>7.5</b>	<b>5.3</b>	<b>0.3</b>	<b>0.0</b>	<b>13.1</b>	<b>102.1</b>	<b>115.2</b>
Surplus or (deficit) on provision of services	1.3	0.0	0.0	0.0	1.3	0.0	1.3
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	3.5	3.5
<b>Total Comprehensive Expenditure and Income</b>	<b>1.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>3.5</b>	<b>4.8</b>
Adjustments between accounting basis & funding basis under regulations	1.3	0.0	0.1	0.0	1.4	(1.4)	0.0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>2.6</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>2.7</b>	<b>2.1</b>	<b>4.8</b>
Transfers to / from Earmarked Reserves	(1.2)	1.2	0.0	0.0	0.0	0.0	0.0
<b>Increase / Decrease in Year</b>	<b>1.4</b>	<b>1.2</b>	<b>0.1</b>	<b>0.0</b>	<b>2.7</b>	<b>2.1</b>	<b>4.8</b>
<b>Balance at 31 March 2013</b>	<b>8.9</b>	<b>6.5</b>	<b>0.4</b>	<b>0.0</b>	<b>15.8</b>	<b>104.2</b>	<b>120.0</b>
Surplus or (deficit) on provision of services	(1.6)	0.0	0.0	0.0	(1.6)	0.0	(1.6)
Other Comprehensive Expenditure and Income	0.00	0.0	0.0	0.0	0.0	2.7	2.7
<b>Total Comprehensive Expenditure and Income</b>	<b>(1.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.6)</b>	<b>2.7</b>	<b>1.1</b>
Adjustments between accounting basis & funding basis under regulations	3.8	0.0	(0.2)	2.4	6.0	(5.9)	0.0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>2.2</b>	<b>0.0</b>	<b>(0.2)</b>	<b>2.4</b>	<b>4.4</b>	<b>(3.2)</b>	<b>1.1</b>
Transfers to / from Earmarked Reserves	(1.7)	1.7	0.0	0.0	0.0	0.0	0.0
<b>Increase / Decrease in Year</b>	<b>0.5</b>	<b>1.7</b>	<b>(0.2)</b>	<b>2.4</b>	<b>4.4</b>	<b>(3.2)</b>	<b>1.2</b>
<b>Balance at 31 March 2013</b>	<b>9.4</b>	<b>8.2</b>	<b>0.2</b>	<b>2.4</b>	<b>20.2</b>	<b>101.0</b>	<b>121.2</b>

# Comprehensive Income & Expenditure Statement for the Police and Crime Commissioner for Surrey (PCC) and the PCC Group

31 March 2013									
31 March 2012					31 March 2013				
Group			PCC		Group		PCC	CC	
Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
78.4	(4.9)	73.5	(4.9)	78.4	82.0	(3.6)	78.4	(3.6)	82.0
23.2	(1.4)	21.8	(1.4)	23.2	20.9	(1.1)	19.8	(1.1)	20.9
18.1	(2.5)	15.6	(2.5)	18.1	17.1	(1.5)	15.6	(1.5)	17.1
10.8	(2.5)	8.3	(2.5)	10.8	10.5	(2.7)	7.8	(2.7)	10.5
14.4	(3.5)	10.9	(3.5)	14.4	12.5	(2.9)	9.6	(2.9)	12.5
22.6	(2.4)	20.2	(2.4)	22.6	22.7	(2.4)	20.3	(2.4)	22.7
58.2	(2.0)	56.2	(2.0)	58.2	59.5	(2.2)	57.3	(2.2)	59.5
7.9	(0.4)	7.5	(0.4)	7.9	7.4	(0.3)	7.1	(0.3)	7.4
5.7	(4.0)	1.7	(4.0)	5.7	4.5	(3.1)	1.4	(3.1)	4.5
1.0	0.0	1.0	0.0	1.0	0.6	0.0	0.6	0.0	0.6
1.3	0.0	1.3	0.0	1.3	1.8	0.0	1.8	0.0	1.8
<b>241.6</b>	<b>(23.6)</b>	<b>218.0</b>	<b>(22.7)</b>	<b>240.7</b>	<b>239.5</b>	<b>(19.8)</b>	<b>219.7</b>	<b>(18.6)</b>	<b>238.3</b>
<b>Cost Of Services</b>									
<b>Other Operating Expenditure</b>									
0.5	0.0	0.5	0.0	0.5	0.4	0.0	0.4	0.0	0.4
0.0	0.0	0.0	0.0	(241.2)	0.0	0.0	0.0	0.0	(238.7)
Levies									
Intra-group funding									
0.0									
(Gain) or Loss on the disposal of non-current assets									
Home Office grant payable to the cost of retirement benefits									
0.0									
Home Office grant payable to the cost of retirement benefits									
0.0									
<b>Financing and Investment Income and Expenditure</b>									
0.0	(0.2)	(0.2)	(0.2)	61.7	0.0	(0.1)	(0.1)	(0.1)	59.1
61.7	0.0	61.7	0.0		59.1	0.0	59.1	0.0	
Interest and Investment Income									
Pension Interest Cost and Expected Return on Assets									
0.0									
<b>Taxation and Non-Specific Grant Income</b>									
0.0	(1.6)	(1.6)	(1.6)		0.0	(1.8)	(1.8)	(1.8)	
0.0	(8.4)	(8.4)	(8.4)		0.0	(0.7)	(0.7)	(0.7)	
0.0	(99.5)	(99.5)	(99.5)		0.0	(102.4)	(102.4)	(102.4)	
0.0	(26.9)	(26.9)	(26.9)		0.0	(35.0)	(35.0)	(35.0)	
0.0	(70.0)	(70.0)	(70.0)		0.0	(65.0)	(65.0)	(65.0)	
Police Grant									
61.7									
<b>(Surplus) or Deficit on Provision of Services</b>									
61.7									
0.0									
(Surplus) or deficit on revaluation of property, plant and equipment assets									
0.0									
Surplus or deficit on revaluation of available for sale financial assets									
55.7									
Actuarial (gains) losses on pension assets / liabilities									
55.7									
<b>Total Comprehensive Income and Expenditure</b>									
359.5									
(246.5)									
113.0									
52.2									
(3.5)									
(3.5)									
180.3									
(2.7)									
(1.1)									
242.1									

**Balance Sheet for the Police and Crime Commissioner for Surrey (PCC) and the PCC Group**

31 March 2012				Notes	31 March 2013		
Group £m	PCC £m	CC £m			Group £m	PCC £m	CC £m
108.0	108.0	0.0	<b>Long Term Assets</b>				
2.3	2.3	0.0	Property, Plant & Equipment	9	99.0	99.0	0.0
1.9	1.9	0.0	Intangible Assets	11	2.6	2.6	0.0
			Long Term Debtors	15	1.9	1.9	0.0
<b>112.2</b>	<b>112.2</b>	<b>0.0</b>	<b>Total Long Term Assets</b>		<b>103.5</b>	<b>103.5</b>	<b>0.0</b>
			<b>Current Assets</b>				
0.3	0.3	0.0	Inventories	14	0.3	0.3	0.0
17.1	17.1	0.0	Short Term Debtors	15	16.3	16.3	0.0
10.4	10.4	0.0	Cash and Cash Equivalents	16	9.3	9.3	0.0
5.8	5.8	0.0	Assets held for sale	17	10.8	10.8	0.0
<b>33.6</b>	<b>33.6</b>	<b>0.0</b>	<b>Total Current Assets</b>		<b>36.7</b>	<b>36.7</b>	<b>0.0</b>
			<b>Current Liabilities</b>				
(23.3)	(23.3)	0.0	Short Term Creditors	18	(18.5)	(18.5)	0.0
<b>(23.3)</b>	<b>(23.3)</b>	<b>0.0</b>	<b>Total Current Liabilities</b>		<b>(18.5)</b>	<b>(18.5)</b>	<b>0.0</b>
			<b>Long Term Liabilities</b>				
(2.5)	(2.5)	0.0	Provisions	19	(0.5)	(0.5)	0.0
(1,230.8)	0.0	(1,230.8)	Other Long Term Liabilities	35.2	(1,472.9)	0.0	(1,472.9)
<b>(1,233.3)</b>	<b>(2.5)</b>	<b>(1,230.8)</b>	<b>Total Long Term Liabilities</b>		<b>(1,473.4)</b>	<b>(0.5)</b>	<b>(1,472.9)</b>
<b>(1,110.8)</b>	<b>120.0</b>	<b>(1,230.8)</b>	<b>Net Assets</b>		<b>(1,351.7)</b>	<b>121.2</b>	<b>(1,472.9)</b>
			<b>Financed by:</b>				
			<b>Usable Reserves</b>	20			
0.0	0.0	0.0	Usable Capital Receipts		2.4	2.4	0.0
8.9	8.9	0.0	General Balances		9.4	9.4	0.0
6.5	6.5	0.0	Earmarked Reserves		8.2	8.2	0.0
0.4	0.4	0.0	Capital Grants Unapplied		0.2	0.2	0.0
(1,230.8)	0.0	(1,230.8)	Pension Reserve		(1,472.9)	0.0	(1,472.9)
			<b>Unusable Reserves</b>	21			
94.7	94.7	0.0	Capital Adjustment Account		90.9	90.9	0.0
8.9	8.9	0.0	Revaluation Reserve		9.7	9.7	0.0
0.0	0.0	0.0	Pension Reserve		0.0	0.0	0.0
1.3	1.3	0.0	Collection Fund Adjustment Account		1.0	1.0	0.0
(0.7)	(0.7)	0.0	Accumulated Absences Account		(0.6)	(0.6)	0.0
<b>(1,110.8)</b>	<b>120.0</b>	<b>(1,230.8)</b>			<b>(1,351.7)</b>	<b>121.2</b>	<b>(1,472.9)</b>

**CASH FLOW STATEMENT FOR POLICE AND CRIME COMMISSIONER FOR SURREY (PCC) AND THE PCC GROUP**

	Notes	31 March 2012		31 March 2013	
		£m	£m	£m	£m
<b>OPERATING ACTIVITIES</b>					
<b>Cash Outflows</b>					
Cash paid to and on behalf of employees		186.5		196.2	
Other operating activities		40.3		43.7	
			226.8		239.9
<b>Cash Inflows</b>					
Council Tax Income		(98.9)		(102.4)	
NNDR Income		(26.9)		(35.0)	
Revenue Support Grant		(8.3)		(0.7)	
Police Grant		(70.0)		(65.0)	
Other Government grants		(22.9)		(29.0)	
Other receipts from operating activities		(1.5)		(4.6)	
Interest received		(0.2)		(0.1)	
			(228.7)		(236.8)
<b>Operating Activities Net Cash Out/Inflow</b>			<b>(1.9)</b>		<b>3.1</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash Outflows</b>					
Purchase of property plant and equipment		10.2		8.2	
Capital creditors		0.0		0.0	
		10.2		8.2	
<b>Cash Inflows</b>					
Proceeds from sale of property, plant and equipment		(2.9)		(8.4)	
Capital grants received		(1.6)		(1.8)	
Other receipts from investing activities		(0.3)		0.0	
		(4.8)		(10.2)	
<b>Investing Activities Net Cash Inflow</b>			<b>5.4</b>		<b>(2.0)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash Outflows</b>					
Capital element of finance lease rental		0.0		0.0	
Interest element of finance lease		0.0		0.0	
Servicing of external finance creditors		0.0		0.0	
		0.0		0.0	
<b>Financing Activities Net Cash Inflow</b>			<b>0.0</b>		<b>0.0</b>
<b>NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS</b>			<b>3.5</b>		<b>1.1</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>			<b>13.9</b>		<b>10.4</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>16</b>		<b>10.4</b>		<b>9.3</b>

## Notes to the Accounts

### 1. Accounting Policies

The Accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the U.K. 2012/13, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Service Reporting Code of Practice for Local Authorities 2012/13 (SeRCOP), approved by the Financial Reporting Advisory Board (FRAB). The Code is based on approved accounting standards issued by the International Accounting Standards Board 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 and the UK Accounting Standards Board where these provide additional guidance. The Accounts follow the guidance notes produced by CIPFA for practitioners on the application of the Code to Local Authorities in the UK 2012/13.

On 21 November 2012 the Police Reform and Social Responsibility Act 2011 replaced the Surrey Police Authority with two 'corporation sole' bodies, the Police and Crime Commissioner for Surrey (PCC) and the Chief Constable of Surrey Police (CC). Both bodies are required to prepare separate Statement of Accounts.

This transition has been accounted for under FRS 6 'Acquisitions and Mergers' as functions were transferred in 'full' to the PCC and thus deemed to have taken effect from 1<sup>st</sup> April 2012 therefore no part year accounts have been provided for Surrey Police Authority. All assets and liabilities were transferred at their carrying amounts and there have been no adjustments to reserves resulting from the merger.

The Financial Statements included here represent the accounts for the PCC and also those for the PCC Group. The Financial Statements cover the 12 months to the 31 March 2013. The term 'Group' is used to indicate individual transactions and policies of PCC and CC for the year ended 31 March 2013. 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 accruals basis of accounting establishes that the non-cash effects of transactions are reflected in the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- Going Concern – the Accounts have been prepared on the assumption that the Group will operate 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.
- Understandability - to ensure that the Statement of Accounts produced can be understood by its readers.
- 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 his 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 general accounting policies, which have been followed in 2012/2013.

### **Income and Expenditure**

The accounts reflect the normal accruals concept for both capital and revenue. Creditors are included within the Balance Sheet for goods and services supplied 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.

An exception to this is for utilities (gas, electricity, telephones, etc), where invoices will be accounted for in the year they fall, providing that only four quarterly or twelve monthly invoices are charged in any one year.

A small number of internal trading accounts are operated for management purposes only. These internal transactions are excluded for the purpose of producing this Statement of Accounts.

### **Overheads and Support Services**

The costs of overheads and support services are charged to the service area that benefits from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SerCoP). The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- **Corporate and Democratic Core** – costs relating to the PCC's status as a multi-functional, democratic organisation.
- **Non Distributed Costs** – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SerCoP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure.



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

### **Recognition**

The cost of an item of property, plant and equipment is capitalised provided that the asset will benefit the Group for a period of more than one year, and the cost of the item can be measured reliably.

Costs include the initial cost of acquisition or construction, and costs incurred subsequently to enhance, replace part of, or service the asset, provided that they meet the recognition criteria above.

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. Low value covert vehicles are not capitalised.

### **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. Assets are then carried in the Balance Sheet using the following measurement:

Assets under construction are measured at historical cost.

Land and buildings are valued at fair value. Fair value for land and buildings under property, plant and equipment is the amount that would be paid for the asset in its existing use. Valuations are carried out by external professionals in accordance with the basis recommended by CIPFA and according to the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS).

Non-property assets that have short useful lives or low values (or both) (i.e. plant and equipment) are valued using the depreciated historical cost basis as a proxy for fair 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 where there have been material changes in the value, or as a minimum, every 5 years. Increases in valuation are recognised in the Revaluation Reserve unless the increase is reversing a previous impairment loss or revaluation decrease charged to the Comprehensive Income and Expenditure Statement for the same asset, in which case the increase is recognised in the Comprehensive Income and Expenditure Statement.

A decrease in valuation (i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset) is recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset, and thereafter in the Comprehensive Income and Expenditure Statement.

### **Depreciation**

Depreciation is calculated on a straight-line basis over the estimated life of the asset, commencing at the start of the month in which capitalisation takes place. Although depreciation is calculated on the estimated life of the specific individual asset concerned, the approximate average depreciation periods are as follows:

Buildings	25 years
Equipment	5 years
Vehicles	5 years

The economic lives of the assets are reviewed each accounting period and revised if necessary.

Land is not subject to depreciation.

Assets are not depreciated until they are available for use. Accordingly assets under construction are not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. (This is applicable to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010).

Residual values are thought to be unlikely (nil or insignificant) and are only assigned if they can be measured reliably.

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

### **Impairment**

Each category of asset (or individual asset where necessary) is reviewed at the end of each financial year for evidence of impairment.

Examples of events and changes in circumstances that indicate impairment may have incurred include:

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

All impairment losses are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset and thereafter in the Comprehensive Income and Expenditure Statement.

### **Disposal**

When a non-current asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. The 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 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.

Receipts from the sale of houses are only recognised in the accounts when cash is received, rather than when the sale is contractually committed. This is considered to be a prudent policy, in view of the uncertainties associated with property sales.

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 Held for Sale**

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

- The asset is available for immediate sale in its present condition;
- The sale is highly probable. This means that the Group is committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale is expected to complete within one year of the date of classification.

Assets Held for Sale are measured in the Balance Sheet at the lower of carrying value and fair value less costs to sell. Fair value for Assets Held for Sale is 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).

Assets Held for Sale are not depreciated.

### **Funding of capital expenditure to purchase Non-Current Assets**

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

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.
- 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.

The above transfers are reported in the Movement in Reserves Statement.

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

The Group is not required 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 (see redemption of debt below).

## **Leases**

Leases are classified as either finance leases or operating leases based on risks and rewards of ownership. Land and building elements of a lease are classified and accounted for separately with the land element normally being an operating lease.

Arrangements that do not take the legal form of a lease, but allow the use of an asset in return for payments, are accounted for under this policy where fulfilment of the arrangement is dependant on the use of specific assets.

### Finance Leases

Where the Group has substantially all the risks and rewards incidental to ownership of an asset, it is accounted for as a finance lease, and is capitalised as an asset and the corresponding liability shown on the Balance Sheet. 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.

## **Heritage Assets**

Heritage Assets are normally measured on a valuation basis in accordance with FRS30. The Group has a small museum at Police Headquarters which relates to the history and development of Surrey Police. The monetary value of these assets is not considered significant therefore, as such, no specific accounting policy is required. The assets will, however, be monitored on a regular basis to ensure any substantial changes are recorded.

## **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 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 by being able to 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 (normally 3 years), commencing in the month the asset comes into service.

## **Inventories**

Inventories are included in the Balance Sheet at cost. The Group's inventory includes such items as vehicle parts and uniforms. Damaged and obsolete items are written off in the year. Some minor inventory items are not valued and are excluded e.g. stationery.

This policy is a departure from IAS 2 which requires inventory 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 IAS 2 does not have a material impact on these financial statements.

### **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 or department that raised the debt. The level of any bad debt provision is reviewed annually.

### **Reserves and Provisions**

The Group maintains reserves to finance future expenditure and to protect the Group against unexpected events. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Group – these reserves are explained in the relevant policies.

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.

The classification of reserves and provisions is consistent with the CIPFA Code of Practice.

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

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

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as salaries, paid annual leave and paid sick leave. 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 the Comprehensive Income and Expenditure Statement, 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 an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Group is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the 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 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**

Surrey Police pension schemes are accounted for under IAS 19 where any obligation arising from other long-term employee benefits that depend on length of service, need to be recognised when service is rendered. As injury awards under the Police schemes are dependent on service, the liability expected to arise due to injury awards has been valued at £41.5m in 2012/13 (£33.9m 2011/12).

## **Pension Arrangements**

Surrey Police pension schemes are accounted for under the International Financial Reporting Standard IAS 19 Employee benefits.

The Group has decided, following actuarial advice, to rebut the IAS19 assumption that injury benefits are not subject to the same degree of uncertainty as pension payments. This means that the pension interest cost and expected return on assets is not charged to the Cost of Services, but instead has been charged to the Net Operating Expenditure, as at Note 23, and any actuarial gain or loss charged to the total Income and Expenditure.

In the single entity accounts the cost of pensions are charged to the Chief Constable Accounts rather than the PCC Accounts. This decision has been made as whilst the PCC holds the contract of Employment for Police Staff, the Chief Constable controls terms of employment and makes decision on the overall staffing structures. These costs are included in the Group Account on consolidation. The Chief Constable is unable to rely on the provision of the Capital Finance and Accounting Regulations for 2012/13 therefore the pension reserve is classified as a usable reserve for the first time. It is anticipated that legislation will remedy this situation for 2013/14 on a retrospective basis resulting in the pension reserve being unusable.

The Group participates in different pension schemes which meet the needs of its employees. The schemes provide members with defined benefits related to pay and service. The costs of providing pensions for employees are charged to the accounts in accordance with the statutory requirements governing each scheme. The schemes are as follows:

- **Police Officers:**  
This scheme is un-funded and the employer's contribution is charged to the Comprehensive Income and Expenditure Statement.
- **Local Government Pension Scheme (LGPS):**  
Police staff employees, subject to certain qualifying criteria, are eligible to join the LGPS. The pension costs that are charged to the Group's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees and the net current service cost.

No transfer values are paid for officers transferring between police forces, however, values are paid for transfers between other schemes.

The pension costs included in the Notes to the Financial Statements in respect of these schemes have been determined in accordance with relevant government regulations and the 2012 CIPFA Code.

Where the payments made for the year in accordance with the scheme requirements do not match the change in the Group's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in Council Tax. These differences are appropriated via the Movement in Reverses Statement.

The attributable assets of the LGPS are measured at their fair value at the Balance Sheet date. From 2008/09 the quoted securities held as assets in the scheme are now valued at bid price rather than mid-market value. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The scheme liabilities comprise any benefits promised under the formal terms of the scheme and, any obligations for further benefits where a public statement or past practice by the employer has created a valid expectation in the employees that such benefit will be granted.

Any unpaid contributions to the scheme are presented in the Balance Sheet as a Short Term Creditor.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increase in benefit accrues.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Group becomes demonstrably committed to the transaction and recognised in Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

The accounts are constructed on the IAS 19 accounting basis and better reflect commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the Pension Fund. The relationship between the Force and the Home Office is captured in the Pension Fund Account included within the Notes to the Financial Statements.

### **Revenue 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, i.e. specific police grants, Revenue Support Grant 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.

### **Redemption of Debt**

Throughout 2012/2013 the Group had no external debt apart from a finance lease for land. Under prevailing regulation, the Group is not debt free and therefore there is a requirement to make a provision for principal repayments through the Minimum Revenue Provision (MRP), (see Charges to Revenue for Non-Current Assets above).

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with Surrey County Council. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Investments are held on the Balance Sheet as cash equivalents if; the investments are readily convertible to a known amount of cash, they are subject to insignificant risk of changes in value and, have a short maturity of three months or less from the date of acquisition.

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.

## **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.

## **Financial Instruments**

### Financial Instruments – Financial Liabilities

Financial liabilities are initially measured at their fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. Short term financial liabilities such as trade creditors and cash overdrawn are measured at the original invoice amount as a proxy for fair value.

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 Instruments – Financial Assets

The Authority's financial assets are classified as:

- Loans and Receivables i.e. assets that have fixed or determinable payments but are not quoted in an active market, and
- Financial Assets at fair value through profit or loss – assets purchased with the intention of selling in the near term, part of a short term profit-taking portfolio, or derivatives.

### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. Short term financial assets such as trade debtors, cash and loan investments are measured at the original transaction or invoice amount as a proxy for fair value.

### Financial Assets at Fair Value through Profit or Loss

Assets at fair value through profit or loss are initially measured and carried at fair value. Where the fair value cannot be measured reliably, the instrument is carried at cost less any impairment losses.

Changes in fair value recorded in the Balance Sheet are balanced by posting gains and losses to the Comprehensive Income and Expenditure Statement as they arise.

Where an asset is identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains or losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Until 2006/07, a scheme was in place that enabled police officers to apply for a loan which could only be used towards the purchase of a property. Only advances made after 1<sup>st</sup> April 2007 are classified as assets at fair value through profit or loss. Assets at fair value through profit or loss are revalued at a minimum every 5 years.



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

Prior period adjustments 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 Group's financial position or financial performance. Where a change is made, it is applied retrospectively 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.

## **Exceptional Items**

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the Group's financial position. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

## **Carbon Reduction Commitment**

The Group is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme is currently in its introductory phase, which will last until April 2014. The Group is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Group is recognised and reported in the costs of the Group's services.

## **2. Accounting Standards issued but not yet adopted**

The Group is required to disclose information relating to the impact of an accounting change required by a new standard that has been issued, but not yet adopted in the 2012/13 Code.

The adoption of the 2011 amendments to IAS 19 Employee Benefits by the Code will result in an increase in expenditure in the Comprehensive Income and Expenditure Statement to 31 March 2013 by £1.2m. This will not change to the Groups usable reserves as these charges are reversed out through the Movement in Reserves Statement.

This key change affects LGPS employers and relates to the expected return on assets. There are new classes of components of defined benefit costs to be recognised in the financial statements and new definitions or recognition criteria for service costs and termination benefits.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Future funding levels – there is a high 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 – timing and value of future property sales in order to provide funds for future capital programmes.
- Provisions – Icelandic banks – provision against not receiving full payment from Landsbanki (i.e. shown as a liability). There is some uncertainty about whether a present obligation exists in respect of payments currently outstanding with Icelandic banks. The Group has decided to take a cautious and prudent approach in this matter and recognised a liability.
- 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. It was considered that no changes were necessary in 2012/13.
- 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.
- Pensions – the PCC has to determine whether items should be recognised in the PCC or Chief Constable accounts. During this first phase of transition to the PCC all assets, liabilities and reserves with the exception of the Pension Reserve have been transferred to the PCC. The decision for the Pension Reserve to be recognised in the Chief Constable accounts has been based on the fact that whilst the PCC holds the contract of employment for Police Staff, the Chief Constable controls terms of employment and makes decisions on the overall staffing structures. As the Chief Constable is unable to rely on the Capital Finance and Accounting Regulations for 2012/13 the pension reserve is classified as a usable reserve. It is anticipated that legislation will remedy this situation from 2013/14.
- Transition – the PCC has accounted for the transition to two 'corporation sole' bodies, under FRS 6 'Acquisitions and Mergers'.

#### **4. Events After The Balance Sheet Date**

The audited Statement of Accounts was approved by the Police and Crime Commissioner on 27 September 2013. Where events taking place before this date provide information about conditions existing at 31 March 2013, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

The Group has one material post balance sheet event to report for the period up to 30 September 2013.

In April 2013 a decision was taken to terminate a significant technology project (Siren, formerly known as Enterprise) as it was considered the system no longer represented the best long term option for the Force or the public and greater benefit could be achieved by exploring collaborative opportunities with other forces.

The financial statements and notes have not been adjusted to reflect this decision because whilst this information is relevant to understanding the PCC and Group financial position it does not relate to conditions at that date. The Property, Plant & Equipment line in the balance sheet includes approximately £10.9m relating to the SIREN project that will be written off in 2013/14. Whilst this write off will be charged to the Comprehensive Income and Expenditure

Statement, there are separate arrangements for capital financing to ensure that such costs are not charged against council tax, the result of this is that any amount written off will be appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

## 5. 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 2013 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 £94k for every year that useful lives are reduced. It is estimated that the annual depreciation charge for vehicles increases by £678k for every year that useful lives are reduced.
<b>Pensions Liability</b>	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. We have engaged the Government's Actuary's Department 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.	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 2012. 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 2010 which has been projected forward for 31 March 2013 valuation. The accuracy of the outcome relies on assumptions made in a fragile economy, and actual results may be materially different.

## 6. Prior Year Adjustments

The Group has no prior year adjustments for the year ended 31 March 2013.

## 7. Exceptional Items

The Group has no exceptional items to report for the year ended 31<sup>st</sup> March 2013.

## 8. 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.

2011/2012	Usable Reserves			Unusable Reserves			
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Capital Adjustment Account £m	Revaluation Reserve £m	Council Tax £m	Holiday pay £m
<b>Reversal of items included in the Comprehensive Income and Expenditure Statement:</b>							
Amortisation of intangible fixed assets	(1.1)			1.1			
Depreciation of property plant and equipment	(6.2)			6.2			
Impairment of property plant and equipment	1.3			(1.3)			
Capital Grants & Contributions Applied	1.4			(1.4)			
Capital Grant & Contributions Unapplied	0.1		(0.1)				
Net gain or loss on sale of property plant and equipment	1.4			(1.4)			
Short term employee benefits	0.7						(0.7)
Council Tax adjustment.	0.6					(0.6)	
<b>Addition of items excluded from the Comprehensive Income and Expenditure Statement:</b>							
Minimum revenue provision for capital financing	0.4			(0.4)			
Capital expenditure charged in-year to the General Fund Balance	0.2			(0.2)			
Voluntary revenue provision for capital financing	0.0			0.0			
Amortisation of Revaluation Reserve	0.0						
Contributions moved to Usable Capital Receipts							
<b>Net additional amount required to be (credited) / debited to the General Fund balance for the year</b>	<b>(1.2)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>2.6</b>	<b>0.0</b>	<b>(0.6)</b>	<b>(0.7)</b>

2012/2013	Usable Reserves			Unusable Reserves			
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Capital Adjustment Account £m	Revaluation Reserve £m	Council Tax £m	Holiday pay £m
<b>Reversal of items included in the Comprehensive Income and Expenditure Statement:</b>							
Amortisation of intangible fixed assets	(0.9)			0.9			
Depreciation of property plant and equipment	(5.6)			5.6			
Impairment of property plant and equipment	(0.1)			0.1			
Capital Grants & Contributions Applied	1.6		0.2	(1.8)			
Capital Grant & Contributions Unapplied	0.0						
Disposal of property plant and equipment	(7.9)			7.9			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	8.4	(2.4)		(6.0)			
Short term employee benefits	0.1						(0.1)
Council Tax adjustment.	(0.3)					0.3	
<b>Addition of items excluded from the Comprehensive Income and Expenditure Statement:</b>							
Minimum revenue provision for capital financing	0.7			(0.7)			
Capital expenditure charged in-year to the General Fund Balance	0.2			(0.2)			
Voluntary revenue provision for capital financing	0.0						
Amortisation of Revaluation Reserve	0.0						
Contributions moved to Usable Capital Receipts	0.0						
<b>Net additional amount required to be (credited) / debited to the General Fund balance for the year</b>	<b>(3.8)</b>	<b>(2.4)</b>	<b>0.2</b>	<b>5.8</b>	<b>0.0</b>	<b>0.3</b>	<b>(0.1)</b>

## 9. 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 2012/13.

	Balance as at 31 March 2012 £m	Appropriations (to) from revenue £m	Balance as at 31 March 2013 £m
<b>Earmarked Reserve Category</b>			
Insurance	2.9	(0.1)	2.8
Ill Health	1.1	0.5	1.6
Healthcare	0.3	0.0	0.3
Olympics	0.3	(0.3)	0.0
OPR	0.5	0.0	0.5
Enterprise/Siren	0.5	(0.5)	0.0
Employee Retention	0.9	0.0	0.9
Police Staff Pension Scheme	0.0	2.1	2.1
<b>Total Earmarked Reserves</b>	<b>6.5</b>	<b>1.7</b>	<b>8.2</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.

### 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.

### Healthcare Reserve

This reserve was established to smooth out the costs from one year to the next of the self funded healthcare provision within the Force.

### Olympics Reserve

This reserve was established to cover the additional staff costs of Surrey Police's role in the 2012 Olympics and has now been fully utilised.

### OPR Reserve

This reserve was established to cover the additional implementation costs resulting from the Operational Policing Review (OPR).

#### Enterprise/Siren Reserve

Enterprise/Siren reserve established in order to cover the costs of finalising and introducing the Siren system to the Force. This reserve has now been fully utilised.

#### Employee Retention Reserve

This reserve is funding for actions that may be necessary to retain required Police Officer numbers in the event that other forces in the South-East start an officer recruitment campaign.

#### Police Staff Pension Scheme Reserve

The provision for Police Staff Pensions to offset potential increase in additional employer's contributions as advised in previous actuary's report has now been transferred to a reserve in line with the recommended definition of IAS 37.

## 10. Property, Plant and Equipment

Changes in Non-Current Assets during the year are summarised below:

### Property, Plant and Equipment

<b>Movements in 2011/2012</b>	Land and Buildings £'m	Vehicle, Plant, Furniture & Equipment £'m	Surplus Assets £'m	Assets under construction £'m	Total Property, Plant and Equipment £'m
<b>Cost or Valuation</b>					
At 1 April 2011	83.7	46.4	3.1	10.1	143.3
Additions	3.0	6.2	1.5	10.2	20.9
Derecognition - disposals	(1.6)	(0.9)	0.0	0.0	(2.5)
Assets reclassified (to)/from Held for Sale	(6.3)	0.0	(0.7)	0.0	(7.0)
Revaluations	5.1	0.0	0.0	0.0	5.1
Other movements - Transfers	0.0	0.1	0.0	(10.2)	(10.1)
<b>At 31 March 2012</b>	<b>83.9</b>	<b>51.8</b>	<b>3.8</b>	<b>10.1</b>	<b>149.6</b>
<b>Accumulated Depreciation and Impairment</b>					
At 31 March 2011	(8.5)	(32.8)	(0.1)	0.0	(41.4)
Prior period adjustment	4.0	0.0	0.0	0.0	4.0
Restated at 1 April 2011	(4.5)	(32.8)	(0.1)	0.0	(37.4)
Depreciation charge	(2.2)	(3.8)	0.0	0.0	(6.0)
Depreciation on Disposals & Revaluations	1.4	0.7	0.0	0.0	2.1
Impairments	(0.3)	0.0	0.0	0.0	(0.3)
<b>At 31 March 2012</b>	<b>(5.6)</b>	<b>(35.9)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(41.6)</b>
<b>Net Book Value</b>					
<b>at 31 March 2012</b>	<b>78.3</b>	<b>15.9</b>	<b>3.7</b>	<b>10.1</b>	<b>108.0</b>
<b>at 31 March 2011</b>	<b>79.2</b>	<b>13.6</b>	<b>3.0</b>	<b>10.1</b>	<b>105.9</b>



## Property, Plant and Equipment

<b>Movements in 2012/2013</b>	Land and Buildings £'m	Vehicle, Plant, Furniture & Equipment £'m	Surplus Assets £'m	Assets under construction £'m	Total Property, Plant and Equipment £'m
<b>Cost or Valuation</b>					
At 1 April 2012	83.9	51.8	3.8	10.1	149.6
Additions	0.4	4.0	0.0	8.2	12.6
Revaluations recognised in Revaluation Reserve	2.7	0.0	0.0	0.0	2.7
Derecognition - disposals	0.0	(4.8)	0.0	0.0	(4.8)
Assets reclassified (to)/from Held for Sale	(12.0)	0.0	0.0	0.0	(12.0)
Other movements in cost or valuation - Transfers	0.9	0.0	(1.8)	(5.5)	(6.4)
<b>At 31 March 2013</b>	75.9	51.0	2.0	12.8	141.7
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2012	(5.6)	(35.9)	(0.1)	0.0	(41.6)
Depreciation charge	(2.2)	(3.4)	0.0	0.0	(5.6)
Depreciation on Disposals & Revaluations	0.7	3.6	0.1	0.0	4.4
Impairments	0.1	0.0	0.0	0.0	0.1
<b>At 31 March 2013</b>	(7.0)	(35.7)	0.0	0.0	(42.7)
<b>Net Book Value</b>					
<b>at 31 March 2013</b>	68.9	15.3	2.0	12.8	99.0
<b>at 31 March 2012</b>	78.3	15.9	3.7	10.1	108.0

### 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
Equipment	5 years
Vehicles	5 years

### 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 £1.6m for every year that the useful lives had to be reduced.

### Land and Buildings

All operational police stations and offices were valued by the Bruton Knowles property consultants at 31<sup>st</sup> March 2009 on the basis of value in existing use (value at 31 March 2013 £58m).

All police houses were valued by Bruton Knowles property consultants at 31<sup>st</sup> March 2012 on the basis of open market value (value at 31 March 2013 £24.6m).

At 31<sup>st</sup> March 2013 the Group's principal assets consisted of 32 operational stations and offices (including custody and control centres), 78 police houses and 887 police vehicles.

### 11. Heritage Assets

Surrey Police possesses a number of assets which relate to the history and development of the Force. The assets, which include items such as truncheons, medals and trophies, are kept in a small museum in the Police Headquarters. They are not judged to be of significant monetary value and therefore are not included in the Balance Sheet

### 12. Intangible Assets

The Group accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item under Property, Plant and Equipment. Intangible assets include both licenses and internally generated software.

The amortisation of £1.0m (2011/12 (£1.1m)) charged to revenue in 2012/13 was charged to the central corporate cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:		
	2011/12	2012/13
	Total Assets £'m	Total Assets £'m
<b>Balance at start of year:</b>		
Gross carrying amounts	4.2	5.0
Accumulated amortisation	(1.6)	(2.7)
<b>Net Carrying Amount:</b>	<b>2.6</b>	<b>2.3</b>
Additions:		
Purchases	0.8	1.2
Other disposals/WOs		(1.8)
Amortisation for the period	(1.1)	(0.9)
Depreciation on disposals & WOs		1.8
Other changes		
<b>Net carrying amount at the end of the year</b>	<b>2.3</b>	<b>2.6</b>
Comprising:		
Gross carrying amounts	5.0	4.4
Accumulated amortisation	(2.7)	(1.8)
	2.3	2.6

### 13. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

FINANCIAL INSTRUMENTS	Long Term		Current	
	31st March 2012 £m	31st March 2013 £m	31st March 2012 £m	31st March 2013 £m
Financial liabilities at amortised cost	0.0	0.0	(15.9)	(10.7)
Financial liabilities at fair value through income & expenditure	0.0	0.0	0.0	0.0
<b>Total Borrowings</b>	<b>0.0</b>	<b>0.0</b>	<b>(15.9)</b>	<b>(10.7)</b>
Loans and receivables	0.0	0.0	14.6	17.4
Financial Assets at fair value through income & expenditure	0.1	0.1		
Unquoted equity investment at cost	0.0	0.0	0.0	0.0
<b>Total Investments</b>	<b>0.1</b>	<b>0.1</b>	<b>14.6</b>	<b>17.4</b>

The fair value of short-term, trade and other receivables / payables is taken to be the invoiced or billed amount.

The Financial Assets at fair value through income & expenditure totalling £0.1m relate to loans made to police officers under a housing scheme during 2006/07. All loans made prior to 2006/07 are not classified as financial instruments in accordance with the CIPFA Code and are treated as long term debtors.

#### **Financial Instruments Gains or Losses**

No gains or losses were recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments in either 2011/12 or 2012/13. Short term receivables or payables (i.e. trade debtors, trade creditors and cash) with no stated interest amount are measured at the original invoice or transaction amount.

### 14. 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.
- Foreign Exchange Risk – the probability of loss arising from an adverse movement in foreign exchange rates.

- 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 £16.3m (2011/12 £17.1m), and cash and temporary loan investments £9.3m (2011/12 £10.4m). 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.

In June 2012, there was a requirement to borrow £1.53m for a period of 1 day at a cost to the Force of £28 to meet a short term deficit. Apart from this one instance the Group has had sufficient available cash balances to meet its daily requirements and there was no external borrowing outstanding as at 31<sup>st</sup> March 2013. If necessary, the Group is able to borrow from either the Public Works Loans Board or Surrey County Council.

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.

Interest rate risk is minimised by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates. This provides partial compensation for the higher costs incurred as a result of adverse interest rate movements.

As at 31<sup>st</sup> March 2013, the Group had no borrowing outstanding but held £8.5m in variable rate loan investments (2011/12 £9.5m). If interest rates had been 1% higher, with all other variables held constant, additional interest receivable of £0.2m would have been received.

#### Price Risk

The PCC does not hold any investments in equity shares and therefore is not exposed to potential losses arising from movements in share prices.

Of the £1.9m Long Term Debtors, the PCC holds £0.1m relating to loans to police officers issued after 1<sup>st</sup> April 2001 which could only be used for the purchase of property. These are classified as held at fair value through the income & expenditure account (see accounting policy note Financial Instruments - Financial Assets).

#### Foreign Exchange Risk

The PCC does not hold any financial asset or liability denominated in a foreign currency, and, therefore, has no exposure to losses arising from exchange rate movements. Any foreign exchange risk associated with residual balances with Icelandic banks is borne by Surrey County Council as it is the organisation directly holding the deposits.

#### Market Failure Risk

During 2011/12 and 2012/13, the PCC has received repayments totalling approximately 67% of the total funds invested in Icelandic Banks (in 2008/09) with expected recovery rates now at 100%, therefore the exposure to market failure is significantly reduced (see note 20 for details).

## 15. Inventories

Inventory held by the Force consists of police clothing, supplies, vehicle parts and equipment. The movement in inventory during the year is shown in the table below.

	<b>As At 31 March 2012 £m</b>	<b>As At 31 March 2013 £m</b>
<b>Inventories</b>		
Balance as at 1 April	0.3	0.3
Purchases	1.2	1.2
Recognised as an expense in year	(1.2)	(1.2)
<b>Total</b>	<b>0.3</b>	<b>0.3</b>

## 16. Debtors

### Short Term Debtors

Debts outstanding at 31<sup>st</sup> March 2013 can be analysed as follows:

	<b>31 March 2012 £m</b>	<b>31 March 2013 £m</b>
<b>Short Term Debtors</b>		
Central Government Bodies	5.7	5.5
Other Local Authorities	4.9	5.3
NHS Bodies	0.0	0.0
Public Corporations	0.1	0.0
Other	1.0	0.4
<b>SUB TOTAL</b>	<b>11.7</b>	<b>11.2</b>
<b>Payments in Advance</b>		
Central Government Bodies	0.0	0.0
Other Local Authorities	0.2	0.2
NHS Bodies	0.0	0.0
Public Corporations	0.0	0.0
Other	5.2	4.9
<b>SUB TOTAL</b>	<b>5.4</b>	<b>5.1</b>
<b>TOTAL SHORT TERM DEBTORS</b>	<b>17.1</b>	<b>16.3</b>

Payments made in advance as at 31<sup>st</sup> March 2013 of £5.1m, include £1.9m of pay made to police officers in March 2013 for work undertaken in April 2013, and £2.2m of pension payments paid in advance.

### Long Term Debtors

Long term debts are those falling due after one year. As at 31st March 2013, the Group's long term debtor balance of £1.9m (£1.8m 2011/12) consisted of outstanding advances made to employees, predominantly those made under the housing scheme.

## 17. Cash and Cash Equivalents

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

	<b>As At 31 March 2012</b>	<b>As At 31 March 2013</b>	<b>Movement</b>
<b>Analysis of Movement In Cash and Cash Equivalents</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash With Accounting Officers	0.2	0.2	0.0
Short-term deposits with Surrey County Council	9.5	8.5	(1.0)
Cash (Overdrawn) / Surplus	0.7	0.6	(0.1)
<b>Total Cash and Cash Equivalents</b>	<b>10.4</b>	<b>9.3</b>	<b>(1.1)</b>

### Short Term Deposits

The Group's treasury management function is carried out in conjunction with that of Surrey County Council. Daily transfers of cash are made between the accounts of the two authorities in the form of loans from the Group to Surrey County Council.

## 18. Assets Held for Sale

The movement in Assets Held for Sale is shown below:

	<b>2011/12 £m</b>	<b>2012/13 £m</b>
<b>Balance outstanding at start of year</b>	1.5	5.8
Assets newly classified as Held for Sale Property, Plant and Equipment	6.9	12.8
Revaluation adjustment	0.0	(0.8)
Assets sold in year	(2.6)	(7.0)
<b>Total assets held at year-end</b>	<b>5.8</b>	<b>10.8</b>

The significant change in value of assets held for sale is due to the sale of police stations.

## 19. Creditors

### Short Term Creditors

Payments due at 31<sup>st</sup> March 2013 can be analysed as follows:

	31 March 2012	31 March 2013
	£m	£m
<b>Short Term Creditors</b>		
Central Government Bodies	4.2	4.3
Other Local Authorities	5.3	3.4
NHS Bodies	0.0	0.0
Public Corporations	0.0	0.2
Other	12.2	10.5
<b>SUB TOTAL</b>	<b>21.7</b>	<b>18.4</b>
<b>Receipts in Advance</b>		
Central Government Bodies	1.5	0.1
Other Local Authorities	0.0	0.0
NHS Bodies	0.0	0.0
Public Corporations	0.1	0.0
Other	0.0	0.0
<b>SUB TOTAL</b>	<b>1.6</b>	<b>0.1</b>
<b>TOTAL SHORT TERM CREDITORS</b>	<b>23.3</b>	<b>18.5</b>

## 20. Provisions

Provisions held at 31<sup>st</sup> March 2013 are as follows:

	Balance as at 31 March 2012	Appropriations to/from revenue	Balance as at 31 March 2013
	£m	£m	£m
Icelandic Banks	0.4	0.0	0.4
Accumulated Absences	0.0	0.0	0.0
Police Staff Pension	2.1	(2.1)	0.0
Carbon Reduction	0.0	0.1	0.1
<b>Total Provisions</b>	<b>2.5</b>	<b>(2.0)</b>	<b>0.5</b>



### Icelandic Banks Impairment of Investments

All treasury management services for the PCC are provided by Surrey County Council (SCC). The PCC's surplus funds are merged with the Council's funds, and invested in the name of SCC.

Early in October 2008, a number of Icelandic banks went into administration. SCC had £20m deposited in two of these institutions – Landsbanki and Glitnir. The PCC's share of those deposits amounted to £1.5m – £0.75m in Landsbanki and £0.75m in Glitnir.

Accounting guidance issued in May 2012 stated that on 28 October 2011, the Reykjavik District Court ruled that local authorities' claims qualified for priority status and that 100% of the original deposits will be returned.

#### Landsbanki

The Winding-Up Board of Landsbanki have made distributions up to 31<sup>st</sup> March 2013 totalling approximately 50% of the initial investment. The remainder of the investment will be repaid over a number of years culminating in 2019.

#### Glitnir

The Winding-Up Board of Glitnir made a distribution proposal to priority creditors which was accepted by UK local authorities and implemented on 16 March 2012. SCC received approximately 84% of the deposit on this date, the remaining balance (Icelandic currency) is currently held in an escrow account pending permission of the Central Bank of Iceland to release.

A provision totalling £0.4m has been set aside for the above impairment and possible future losses due to European economic and banking uncertainty. Lost interest is not included in this provision but is treated in the Accounts on a cash basis.

### Police Staff Pension

The provision held to provide for a potential deficit on the pension scheme which covers police staff has now been transferred to a reserve in line with the recommended definition of IAS 37.

### Carbon Reduction

This provision is held to provide for the Group's liability in relation to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme for 2012/13.

## 21. Usable Reserves

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

	As At 31 March 2012 £m	As At 31 March 2013 £m
<b>Group Usable Reserve</b>		
General Fund Balance	8.9	9.4
Earmarked Reserves	6.5	8.2
Usable Capital Receipts	0.0	2.4
Capital Grants Unapplied	0.4	0.2
Pension Reserve	(1,230.8)	(1,472.9)
<b>Total Usable Reserves</b>	<b>(1,215.0)</b>	<b>(1,452.7)</b>

### General Fund Balance

This represents the cumulative surplus of operating (revenue) income over operating (revenue) expenditure, which has not been set aside in a specific reserve, and is available to protect the Group against unforeseen future events.

### Earmarked Reserves

See note 9.

### Usable Capital Receipts

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

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.

### Pension Reserve

The pension reserve is an accounting reserve included in the Group Accounts that equals the total pension liability (Police Officers and Police staff). This reserve is a usable reserve due to the Chief Constable being unable to rely on the provision of the Capital Finance and Accounting Regulations. Legislation is currently being drafted to remedy this situation and it is anticipated that for 2013/14 this reserve will be classified as unusable.

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:

	Police Pension				Local Government Pension Scheme		Total	
	Old	New	Old	New	2011/12 £m	2012/13 £m	2011/12 £m	2012/13 £m
	2011/12 £m	£m	2012/13 £m	£m				
Opening Balance	(1,070.1)	(9.1)	(1,160.5)	(21.7)	(33.9)	(48.6)	(1,113.1)	(1,230.8)
Actuarial (Losses)/ Gains	(40.1)	(3.0)	(155.1)	(10.9)	(12.5)	(16.9)	(55.6)	(182.9)
Appropriation from Revenue Account to offset IAS19 composite items	(88.3)	(9.6)	(86.0)	(10.6)	(10.1)	(10.7)	(108.0)	(107.3)
Appropriation to Revenue Account to reconcile back to taxation requirement	38.0	0.0	40.1	0.2	7.9	7.8	45.9	48.1
<b>Closing Balance</b>	<b>(1,160.5)</b>	<b>(21.7)</b>	<b>(1,361.5)</b>	<b>(43.0)</b>	<b>(48.6)</b>	<b>(68.4)</b>	<b>(1,230.8)</b>	<b>(1,472.9)</b>

## 22. Unusable reserves

	As At 31 March 2012 £m	As At 31 March 2013 £m
<b>Unusable Reserve</b>		
Capital Adjustment Account	94.7	90.9
Revaluation Reserve	8.9	9.7
Collection Fund Adjustment Account	1.3	1.0
Accumulated Absences Account	(0.7)	(0.6)
<b>Total Unusable Reserves</b>	<b>104.2</b>	<b>101.0</b>

### Capital Adjustment Account

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.

	<b>2011/12 £m</b>	<b>2012/13 £m</b>
<b>Opening Balance at 1 April</b>	<b>97.3</b>	<b>94.7</b>
Cost of Disposed/Decommissioned Assets	0.0	0.0
Gains or Losses on revaluations of non-current assets	1.3	0.1
Usable receipts applied	3.1	6.1
Capital grants and contributions applied	1.4	1.9
Revenue resources applied	0.3	0.3
Write down long term debt	(0.2)	(0.3)
Asset Disposals	(1.6)	(6.0)
Depreciation/MRP	(6.9)	(5.9)
<b>Closing Balance at 31 March</b>	<b>94.7</b>	<b>90.9</b>

#### Revaluation Reserve

This reserve records the accumulated gains on the non-current assets held by the Group arising from increases in value, 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.

	<b>2011/12 £m</b>	<b>2012/13 £m</b>
<b>Opening Balance at 1 April</b>	<b>5.5</b>	<b>8.9</b>
Upward revaluation of assets	3.5	2.7
Depreciation	(0.1)	(0.2)
Gains on assets sold	0.0	(1.7)
<b>Closing Balance at 31 March</b>	<b>8.9</b>	<b>9.7</b>

#### Collection Fund Adjustment Account

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.

	2011/12 £m	2012/13 £m
<b>Opening Balance at 1 April</b>	<b>0.7</b>	<b>1.3</b>
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax calculated for the year in accordance with statutory requirements	0.6	-0.3
<b>Closing Balance at 31 March</b>	<b>1.3</b>	<b>1.0</b>

#### Accumulated Absences Account

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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12 £m	2012/13 £m
<b>Opening Balance at 1 April</b>	<b>(1.4)</b>	<b>(0.7)</b>
Settlement or cancellation of accrual made at the end of the preceding year	1.4	0.7
Amounts accrued at the end of the current year	(0.7)	(0.6)
<b>Sub Total</b>	<b>(0.7)</b>	<b>(0.6)</b>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Account on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	0.0	0.0
<b>Closing Balance at 31 March</b>	<b>(0.7)</b>	<b>(0.6)</b>

## 23. Amounts Reported For Resource Allocation Decisions

### Group Segmental Reporting 2011/12

	Response	Neighbourhoods	Investigation	Tasking & Co-ordination	Joint Command	Support Services	Corporate	Other	Surrey Police Authority	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	(1.5)	(0.6)	(2.1)	(2.9)	(0.5)	(6.1)	(3.1)	(0.1)	0.0	£m
Government grants	(0.6)	0.0	(0.3)	0.0	0.0	0.0	(18.3)	0.0	0.0	(16.9)
<b>Total Income</b>	<b>(2.1)</b>	<b>(0.6)</b>	<b>(2.4)</b>	<b>(2.9)</b>	<b>(0.5)</b>	<b>(6.1)</b>	<b>(21.4)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(36.1)</b>
Employee expenses	47.0	26.0	50.1	18.1	6.3	25.5	21.9	6.9	0.1	201.9
Other operating expenses	4.6	1.7	6.2	3.0	2.5	20.2	3.2	2.7	1.0	45.1
<b>Total operating expenses</b>	<b>51.6</b>	<b>27.7</b>	<b>56.3</b>	<b>21.1</b>	<b>8.8</b>	<b>45.7</b>	<b>25.1</b>	<b>9.6</b>	<b>1.1</b>	<b>247.0</b>
<b>Net Cost of Services</b>	<b>49.5</b>	<b>27.1</b>	<b>53.9</b>	<b>18.2</b>	<b>8.3</b>	<b>39.6</b>	<b>3.7</b>	<b>9.5</b>	<b>1.1</b>	<b>210.9</b>

#### Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

£m

Cost of Services in Service Analysis

210.9

Add net expenditure of services & support services not included in main analysis

(3.6)

Add amounts in the CI & E Statement not included in management accounts e.g. IAS19 pension costs

Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement e.g. pension contributions payable to the pension fund, capital financing charges

10.7

**Net Cost of Services in Comprehensive Income and Expenditure Statement**

**218.0**

#### Reconciliation to Subjective Analysis

	Service Analysis	Services not in Analysis	Not Included in Management Accounts	Not included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	(16.9)	0.0	3.3	0.0	0.0	(13.6)	(1.3)	(14.9)
Surplus or deficit on associates and joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest and investment income	0.0	0.0	0.0	0.2	0.0	0.2	(0.2)	0.0
Income from council tax	0.0	0.0	0.0	0.0	0.0	0.0	(99.5)	(99.5)
Government grants and contributions	(19.2)	0.0	(6.9)	11.5	0.0	(14.6)	(118.4)	(133.0)
<b>Total Income</b>	<b>(36.1)</b>	<b>0.0</b>	<b>(3.6)</b>	<b>11.7</b>	<b>0.0</b>	<b>(28.0)</b>	<b>(219.4)</b>	<b>(247.4)</b>
Employee expenses	201.8	0.0	0.0	0.0	0.0	201.8	61.7	263.5
Other service expenses	45.2	0.0	0.0	0.0	0.0	45.2	0.0	45.2
Support Service recharges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation, amortisation and impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Payments	0.0	0.0	(0.5)	0.0	0.0	(0.5)	0.0	(0.5)
Precepts & Levies	0.0	0.0	(0.5)	0.0	0.0	(0.5)	0.5	0.0
Payments to Housing Capital Receipts Pool	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total operating expenses</b>	<b>247.0</b>	<b>0.0</b>	<b>(1.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>246.0</b>	<b>62.2</b>	<b>308.2</b>
<b>Surplus or deficit on the provision of services</b>	<b>210.9</b>	<b>0.0</b>	<b>(4.6)</b>	<b>11.7</b>	<b>0.0</b>	<b>218.0</b>	<b>(157.2)</b>	<b>60.8</b>

## Group Segmental Reporting 2012/13

	Response £m	Neighbourhoods £m	Investigation £m	Tasking & Co-ordination £m	Joint Command £m	Support Services £m	Corporate £m	Other £m	PCC £m	Total £m
Fees, charges & other service income	(1.2)	(0.4)	(1.5)	(1.0)	(2.3)	(2.7)	(2.9)	0.0	0.0	£m (12.0)
Government grants	(1.6)	(0.1)	(0.4)	(0.1)	0.0	0.0	(1.3)	(0.3)	(0.1)	(3.9)
<b>Total Income</b>	<b>(2.8)</b>	<b>(0.5)</b>	<b>(1.9)</b>	<b>(1.1)</b>	<b>(2.3)</b>	<b>(2.7)</b>	<b>(4.2)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(15.9)</b>
Employee expenses	46.4	27.0	51.5	18.1	10.8	22.3	0.9	6.8	0.5	184.3
Other operating expenses	4.4	1.9	4.4	2.0	4.4	17.7	2.5	1.4	0.7	39.4
<b>Total operating expenses</b>	<b>50.8</b>	<b>28.9</b>	<b>55.9</b>	<b>20.1</b>	<b>15.2</b>	<b>40.0</b>	<b>3.4</b>	<b>8.2</b>	<b>1.2</b>	<b>223.7</b>
<b>Net Cost of Services</b>	<b>48.0</b>	<b>28.4</b>	<b>54.0</b>	<b>19.0</b>	<b>12.9</b>	<b>37.3</b>	<b>(0.8)</b>	<b>7.9</b>	<b>1.1</b>	<b>207.8</b>

### Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

£m

Cost of Services in Service Analysis

207.8

Add net expenditure of services & support services not included in main analysis

7.7

Add amounts in the CI & E Statement not included in management accounts e.g. IAS19 pension costs

0.2

Remove amounts reported to management not included in Comprehensive Income and

Expenditure Statement e.g. pension contributions payable to the pension fund, capital financing charges

4.0

**Net Cost of Services in Comprehensive Income and Expenditure Statement**

**219.7**

### Reconciliation to Subjective Analysis

	Service Analysis £m	Services not in Analysis £m	Not Included in Management Accounts £m	Not included in I&E £m	Allocation of Recharges £m	Net Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges & other service income	(12.0)	0.0	(2.2)	0.0	0.0	(14.2)	0.0	(14.2)
Gain on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest and investment income	0.0	0.0	0.0	0.1	0.0	0.1	(0.1)	0.0
Income from council tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government grants and contributions	(3.9)	(4.4)	0.0	12.9	0.0	4.6	(217.8)	(213.2)
<b>Total Income</b>	<b>(15.9)</b>	<b>(4.4)</b>	<b>(2.2)</b>	<b>13.0</b>	<b>0.0</b>	<b>(9.5)</b>	<b>(217.9)</b>	<b>(227.4)</b>
Employee expenses	184.3	0.0	0.1	0.0	0.0	184.4	58.5	242.9
Other service expenses	39.4	0.0	0.0	(0.2)	0.0	39.2	0.0	39.2
Depreciation, amortisation and impairment	0.0	6.1	0.0	(0.7)	0.0	5.4	0.0	5.4
Precepts & Levies	0.0	0.0	0.0	(0.4)	0.0	(0.4)	0.4	0.0
Loss on Disposal of Fixed Assets	0.0	0.0	0.0	0.6	0.0	0.6	0.0	0.6
<b>Total operating expenses</b>	<b>223.7</b>	<b>6.1</b>	<b>0.1</b>	<b>(0.7)</b>	<b>0.0</b>	<b>229.2</b>	<b>58.9</b>	<b>288.1</b>
<b>Surplus or deficit on the provision of services</b>	<b>207.8</b>	<b>1.7</b>	<b>(2.1)</b>	<b>12.3</b>	<b>0.0</b>	<b>219.7</b>	<b>(159.0)</b>	<b>60.7</b>

## Comprehensive Income & Expenditure Account by Cost Type for the PCC and PCC Group

2011/2012				2012/2013		
Group £m	PCC £m	CC £m		Group £m	PCC £m	CC £m
			<b>EXPENDITURE</b>			
83.3	0.0	83.3	Police Pay, NI and Allowances	85.1	0.0	85.1
76.7	0.0	76.7	Police Staff Pay, NI, Superannuation & Allowances	74.2	0.5	73.7
5.8	0.0	5.8	Other Employee Expenditure	5.5	0.0	5.5
<b>165.8</b>	<b>0.0</b>	<b>165.8</b>	<b>Total Employee Expenditure</b>	<b>164.8</b>	<b>0.5</b>	<b>164.3</b>
21.5	0.0	21.5	Net Cost Police Pensions Scheme	30.0	0.0	30.0
9.1	0.0	9.1	Premises	8.6	0.0	8.6
25.3	0.0	25.3	Supplies and Services	24.4	0.7	23.7
4.9	0.0	4.9	Transport	5.0	0.0	5.0
6.0	0.0	6.0	Depreciation	6.7	0.0	6.7
<b>232.6</b>	<b>0.0</b>	<b>232.6</b>	<b>Gross Operating Expenditure</b>	<b>239.5</b>	<b>1.2</b>	<b>238.3</b>
			<b>INCOME</b>			
(11.5)	(11.5)		Grants and Contributions	(16.1)	(16.1)	
0.0	0.0		Sales	0.0	0.0	
(2.8)	(2.8)		Fees and Charges	(3.1)	(3.1)	
(0.3)	(0.3)		Rents	(0.6)	(0.6)	
<b>(14.6)</b>	<b>(14.6)</b>		<b>Total Income</b>	<b>(19.8)</b>	<b>(19.8)</b>	
<b>218.0</b>	<b>(14.6)</b>		<b>Net Cost of Services</b>	<b>219.7</b>	<b>(18.6)</b>	
0.5	0.0	0.5	Levies	0.4	0.0	0.4
<b>233.1</b>	<b>(233.1)</b>		<b>Intra group adjustment</b>	<b>0.0</b>	<b>238.7</b>	<b>(238.7)</b>
(1.3)	(1.3)	<b>0.0</b>	Gain or loss on disposal of non current assets	(0.6)	(0.6)	<b>0.0</b>
(11.5)	(11.5)		Home Office grant payable to the cost of retirement benefits	(12.9)	(12.9)	
0.0	0.0		External Interest Payable	0.0	0.0	
(0.2)	(0.2)		Interest and Investment Income	(0.1)	(0.1)	
61.7		61.7	Pension interest costs and expected return on pension assets	59.1	0.0	59.1
<b>267.2</b>	<b>205.5</b>	<b>61.7</b>	<b>Net Operating Expenditure</b>	<b>265.6</b>	<b>206.5</b>	<b>59.1</b>
(1.6)	(1.6)		Capital Grants and Contributions	(1.8)	(1.8)	
(70.0)	(70.0)		Police Grants	(65.0)	(65.0)	
(8.4)	(8.4)		Revenue Support Grant	(0.7)	(0.7)	
(26.9)	(26.9)		National Non Domestic Rates	(35.0)	(35.0)	
(99.5)	(99.5)		Precept	(102.4)	(102.4)	
<b>60.8</b>	<b>(0.9)</b>	<b>61.7</b>	<b>(SURPLUS) OR DEFICIT FOR THE YEAR</b>	<b>60.7</b>	<b>1.6</b>	<b>59.1</b>

## 24. Collaborations

Surrey Police have established a number of significant strategic collaborations and continues to be actively involved with projects, working together with neighbouring forces in operational and support areas. Active collaborations are achieving significant cash savings and maintaining, or improving, levels of service and public confidence in the agreed areas.

During 2012/13 operational collaboration units set up with Sussex Police have included Major Crime Investigation, Forensic Investigation and Firearms with further opportunities being explored for Dogs, Surveillance, High-tec Crime and Control Rooms. In the Support Services area a Joint Procurement Service was established during 2012/13 and work is currently underway on a Joint Transport Service. Other opportunities such as aligning systems, policies and processes in HR, Finance and ICT are being explored to establish a combined operating structure.

In a wider area, working more closely with other public services to give information sharing, joined up working and economies of scale are also being considered.

## 25. Members' Allowances

A total of £151,542.11 was paid for the year ended 31 March 2013 in respect of allowances and expenditure payable to Members of the Authority prior to the creation of PCC.



Under the new governance arrangements for policing, Surrey Police and the Police and Crime Commissioner require a Joint Audit Committee to provide independent and effective assurance about the adequacy of financial management and reporting.

Members' Allowances for the Joint Audit Committee are:

Attendance Allowance £22 per hour  
Chair Allowance £2500 per annum

## 26. Officers' Remuneration

The number of employees (including Police Officers) in the Group whose remuneration was £50,000 or more is as follows.

Amounts exclude employers' pension costs, but include all payments, taxable allowances and the monetary value of other employee benefits, including redundancy/severance payments.

Employees included as seconded were on secondment to other agencies as at 31 March 2013. The costs of seconded employees are fully recovered.

Remuneration Band £	2011/12			2012/13		
	Number of Employees	Seconded Employee	Total	Number of Employees	Seconded Employees	Total
Chief Constable						
50,000 - 54,999	129	5	134	108	5	113
55,000 - 59,999	88	3	91	96	2	98
60,000 - 64,999	26	5	31	20	4	24
65,000 - 69,999	6	1	7	7	0	7
70,000 - 74,999	0	0	0	5	0	5
75,000 - 79,999	12	3	15	13	2	15
80,000 - 84,999	8	1	9	6	2	8
85,000 - 89,999	2	0	2	3	0	3
90,000 - 94,999	0	0	0	0	0	0
95,000 - 99,999	0	0	0	0	0	0
100,000 - 104,999	0	0	0	1	1	2
105,000 - 109,999	1	0	1	1	0	1
110,000 - 114,999	1	0	1	0	0	0
115,000 - 119,999	0	0	0	1	0	1
120,000 - 124,999	0	0	0	1	0	1
125,000 - 129,999	1	0	1	0	0	0
130,000 - 134,999	0	0	0	0	0	0
135,000 - 139,999	0	1	1	0	0	0
140,000 - 144,999	0	0	0	0	0	0
145,000 - 149,999	0	0	0	1	0	1
150,000 - 154,999	0	0	0	0	0	0
155,000 - 159,999	0	0	0	0	0	0
<b>Total</b>	<b>274</b>	<b>19</b>	<b>293</b>	<b>263</b>	<b>16</b>	<b>279</b>
PCC						
50,000 - 54,999	1	0	1	1	0	1
75,000 - 79,666	1	0	1	0	0	0
80,000 - 84,999	0	0	0	1	0	1
<b>Total</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>Group Total</b>	<b>276</b>	<b>19</b>	<b>295</b>	<b>265</b>	<b>16</b>	<b>281</b>

**Remuneration for Senior Officers with a salary more than £50,000 with responsibility for the management of the Group were:**

Position	Position Start Date	Position End Date	2011/12				2012/13			
			Total Remuneration	£	Salary, Fees & Allowances	Employers Pension Contribution	Any other Emoluments	Total Remuneration	£	£
<u>Chief Constable</u>										
Chief Constable - Mark Rowley	12/03/2009	04/12/2011	128,907		-	-	-	-		-
Chief Constable - Lynne Owens	01/02/2012	n/a	30,325		147,788	32,934	814	181,536		
Deputy Chief Constable - C Denholm	15/06/2009	n/a	164,228		123,584	27,171	1,604	152,359		
Assistant Chief Constable (Special Operations)	22/09/2004	n/a	147,280		115,479	25,615	4,212	145,306		
Assistant Chief Constable	11/03/2012	n/a	108,685		100,963	22,730	4,046	127,739		
Chief Superintendent	01/04/2010	n/a	105,696		81,656	19,030	2,221	102,907		
Chief Superintendent	01/04/2010	n/a	109,997		82,784	19,241	4,065	106,090		
Chief Superintendent	01/04/2010	n/a	107,728		78,696	19,030	3,334	101,060		
Chief Superintendent	01/04/2010	n/a	110,276		85,745	19,030	5,130	109,905		
Chief Superintendent	01/04/2010	07/01/2013	108,064		81,473	18,687	4,483	104,643		
Chief Superintendent	07/01/2013	n/a	-		17,976	4,210	938	23,124		
Chief Superintendent	07/01/2013	n/a	-		17,866	4,210	847	22,923		
Assistant Chief Officer (Support Services)	25/01/2010	n/a	112,067		107,688	11,916	55	119,659		
Head of Corporate Communications	04/10/2011	07/10/2012	-		28,760	3,125	-	31,885		
Head of Human Resources	01/08/2009	n/a	77,753		83,033	-	-	83,033		
Head of Finance & Services	01/09/2010	n/a	83,031		80,791	9,032	-	89,823		
Head of ICT	24/10/2011	n/a	35,342		78,529	8,785	-	87,314		
PCC										
PCC	22/11/2012	n/a	-		25,406	3,010	-	28,416		
PCC Deputy	13/12/2012	n/a	-		18,069	1,806	-	19,875		
PCC Chief Executive	27/09/2010	n/a	88,396		81,800	9,592	-	91,392		
PCC Treasurer	09/05/2005	n/a	50,165		51,959	4,540	-	56,499		
			<b>1,567,940</b>		<b>1,490,045</b>	<b>263,694</b>	<b>31,749</b>	<b>1,785,489</b>		

## 27. Number of exit packages agreed

The numbers and total amounts of exit packages paid to employees (including Police Officers) of the Group were as shown in the table below. All redundancies were compulsory.

Exit Package cost band £	2011/12	2011/12	2012/13	2012/13
	Number	Total Cost of Exit Packages	Number	Total Cost of Exit Packages
0 - 20,000	57	519,048	15	98,467
20,000 - 40,000	22	601,294	11	331,821
40,000 - 60,000	1	46,965	0	0
60,000 - 80,000	0	0	0	0
80,000 - 100,000	0	0	0	0
100,000 - 150,000	0	0	0	0
150,000 - 200,000	0	0	0	0
<b>Total</b>	<b>80</b>	<b>1,167,307</b>	<b>26</b>	<b>430,288</b>

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

## 28. External Audit Costs

External Audit Costs	As At 31st March 2012 £m	As At 31st March 2013		
		GROUP	PCC	CC
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.086	0.077	0.057	0.020
Fees payable in respect of statutory inspections	0.000	0.000	0.000	0.000
Fees payable in respect of other audit services provided during the year	0.000	0.000	0.000	0.000
<b>Total</b>	<b>0.086</b>	<b>0.077</b>	<b>0.057</b>	<b>0.020</b>

## 29. Grant Income

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2011/2012 £m	2012/2013 £m
<b>Income credited to Policing Services</b>		
Police Community Support Officers	4.5	4.4
Counter Terrorism	1.1	1.2
Proceeds of Crime Act	0.3	0.4
Interoperability Grant	0.0	0.3
Council Tax Freeze	2.5	0.0
Olympics	0.3	1.8
Sexual Assault Referral Centre	0.1	0.0
Other Smaller Grants	0.3	0.1
<b>Total credited to policing services</b>	<b>9.1</b>	<b>8.2</b>
<b>Other Operating Expenditure</b>		
Home Office grant payable to the cost of retirement benefits	11.5	12.9
<b>Total credited to other operating expenditure</b>	<b>11.5</b>	<b>12.9</b>
<b>Taxation and Non Specific Income</b>		
Capital Grants and Contributions	1.6	1.8
Revenue Support Grant	8.3	0.7
Precept Income	99.5	102.4
NNDR	26.9	35.0
Police Grant	70.0	65.0
<b>Total credited to taxation and non specific income</b>	<b>206.3</b>	<b>204.9</b>

### Police Community Support Officers

A Home Office grant towards the cost of Police Community Support Officers who provide a visible presence in the community with powers sufficient to deal with minor issues.

### Counter Terrorism

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

### Proceeds of Crime Act

A Home Office allocation of pooled resources generated from assets forfeited under the Proceeds of Crime Act.

### Olympics

A Home Office grant to reimburse forces awarded primary force status for expenditure incurred in planning for, and delivering, policing for the London 2012 Olympics.

### Sexual Assault Referral Centre

A Home Office Grant to fund the provision of centres to increase support for victims of sexual assault and their respective families.

### Council Tax Freeze

Government funding to compensate for reduced Council Tax Revenue. In 2012/13 the Council Tax Freeze Grant was consolidated into the Police Grant.

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

A 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 1<sup>st</sup> April 2006.

### **30. Related Parties**

IAS 24 (Related Party transactions) requires the Group to disclose all material transactions with related parties, which have potential to influence the Group or to be controlled or influenced by the Group.

Central government has some control as it is responsible for providing the statutory framework and provides the majority of the funding. The value of grants received is shown in the Income and Expenditure Account and further details of specific additional grants received are given in note 29.

The Borough Councils also have some control through their provision of precept income as detailed in note 29.

Employer's pension contributions paid by the Group to the Surrey County Council Pension Fund totalled £7.8m during 2012/2013 (£7.9m in 2011/12).

No members of the Police Authority or members of their immediate family or household declared any related parties interest of concern during their period of office up to 21 November 2012.

Similarly, there was no declaration of concern made from the OPCC.

The PCC has direct control over the Group finances and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver her aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

A survey of the related party interests of the Chief Constable and senior managers and their immediate family members was carried out in preparing the Statement of Accounts. No related party interests were disclosed.

### **31. 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 10).

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.

	2011/12 £m	2012/13 £m
Opening Capital Financing Requirement	9.3	14.3
<b>Capital Investment</b>		
Property - Land and Buildings	2.5	1.1
Vehicles, Plant & Equipment	5.0	4.2
Intangible assets	2.7	2.9
<b>Sources of Finance</b>		
Capital Receipts	(3.1)	(6.1)
Government Grants & other contributions	(1.4)	(1.8)
Direct Revenue contributions	(0.3)	(0.3)
MRP/loans fund principal	(0.4)	(0.7)
<b>Closing Capital Financing Requirement</b>	14.3	13.6
<b>Explanation of movements in year</b>		
MRP	(0.4)	(0.7)
Increase in underlying need to borrow (unsupported by government financial assistance)	5.4	0.0
<b>Increase/(decrease) in Capital Financing Requirement</b>	5.0	(0.7)

### Capital Commitments

As at 31 March 2013 the Group had a contractual obligation relating to the conversion of the building at Salfords into a custody suite totalling £4m.

The Group also had a contractual capital commitments relating to Siren totalling £0.3m, further details relating to this are in Events after the Balance Sheet Date (note 4).

## 32. Leases

As at the 31<sup>st</sup> March 2013, the Group had the following future obligations in respect of operating leases:

### Vehicles, Plant, Furniture and Equipment

In December 2012 the Group entered into a new operating lease for printers/photocopiers for a five year period. The amounts paid under these and other arrangements in 2012/13 was £0.1m (2011/12 £0.06m).

### Land and Buildings

The Group entered into 7 new operating leases and rescinded one for land and buildings during 2012/13. For these and existing arrangements held under operating leases during 2012/13 rental payments were £0.9m (2011/12 £0.7m).

### Commitments Under Operating Leases

The Group was committed at 31<sup>st</sup> March 2013 to making payments of £0.8m under operating leases in 2013/14 comprising the following elements:

	Future lease obligations payable 2013/14 £m	Future lease obligations payable between 2014/15 to 2017/18 £m	Future lease obligations payable 2017/18 Onwards £m
Land and Buildings	0.8	2.8	2.7
Vehicles, Plant and Equipment	0.1	0.6	0.0
<b>Total</b>	<b>0.9</b>	<b>3.4</b>	<b>2.7</b>

### **Long Term Liabilities**

#### Finance Leases

**Equipment** - The Group had no leases for equipment under finance lease arrangements during 2012/13.

**Land and Buildings** – Non-current assets stated in the Balance Sheet include operational assets acquired under a finance lease as follows:

	31 March 2012 NBV £m	31 March 2013 NBV £m
Other Land & Buildings	1.5	1.5
Vehicles, Plant & Equipment	0.3	0.1
<b>Total</b>	<b>1.8</b>	<b>1.6</b>

As at 31<sup>st</sup> March 2013, the Group was committed to making the following payments in respect of finance leases in the following years:

	Obligations payable in 2013/14 £m	Obligations payable between 2014/15 to 2017/18 £m	Obligations payable from 2018/19 Onwards £m	Obligations payable for all years £m
Land and Buildings	1.8	0.0	0.0	1.8
Vehicles, Plant and Equipment	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1.8</b>	<b>0.0</b>	<b>0.0</b>	<b>1.8</b>

### **33. Private Finance Initiatives and Similar Contracts**

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

Airwave is a national PFI scheme for a replacement radio communication system. The Group has contracted with an external telecommunications provider to develop the necessary infrastructure, in return for an annual rental payable over a 15-year contract period. The contract, signed in 2000, is based on a framework or core agreement, which has been drafted following negotiations between PITO (Home Office Police and Information

Technology Organisation), police authorities in Great Britain and a consortium of external telecommunications providers.

### **34. Contingent Liabilities**

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Group at 31<sup>st</sup> March 2013, they exclude potential costs where the liability is not yet established and the amounts are uncertain. There were no contingent liabilities identified for 2012/13.

### **35. Contingent Assets**

There were no contingent assets identified for 2012/13.

### **36. Defined Benefit Pension Schemes**

#### **Pension Arrangements**

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 Constables Accounts and consolidated into the Group Accounts.

The Group participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for police staff employees, administered locally by Surrey County Council – this is a funded defined benefit final salary 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.
- 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 are no investment assets built up to meet the pension liabilities and payments as they fall due. The regulations require that if the pension fund account 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 account. 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 account is in surplus for the year, the surplus is required to be transferred from the pension fund account to the Group, which in turn is required to pay the amount to Central Government.

#### **36.1 Transactions relating to Retirement Benefits**

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. 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 retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year.



	Police Pension Scheme				Local Government Pension Scheme		Total	
	Old	New	Old	New				
	2011/12		2012/13		2011/12	2012/13	2011/12	2012/13
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Income and Expenditure Account</b>								
<b>Net Cost of Services:</b>								
Current Service Cost	28.2	7.9	29.9	8.4	9.2	9.4	45.3	47.7
Past Service Cost	0.1	0.3	0.1	0.3	0.0	0.0	0.4	0.4
Curtailment and Settlements	0.0	0.0	0.0	0.0	0.6	0.1	0.6	0.1
<b>Net Operating Expenditure:</b>								
Interest Cost	60.0	1.5	56.0	1.9	8.7	8.8	70.2	66.7
Expected return on assets in the scheme	0.0	0.0	0.0	0.0	(8.5)	(7.6)	(8.5)	(7.6)
<b>Net charge to the Income and Expenditure Account</b>	<b>88.3</b>	<b>9.7</b>	<b>86.0</b>	<b>10.6</b>	<b>10.0</b>	<b>10.7</b>	<b>108.0</b>	<b>107.3</b>
<b>Statement of Movement on the General Fund Balance</b>								
Reversal of net charges made for retirement benefits in accordance with IAS19	(88.3)	(9.7)	(86.0)	(10.6)	(10.0)	(10.7)	(108.0)	(107.3)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>								
Employers' contributions payable to scheme	0.0	0.0	0.0	0.0	7.9	7.8	7.9	7.8
Retirement benefits payable to pensioners	38.1	0.0	40.1	0.2	3.5	3.6	41.6	43.9

## 36.2 Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Unfunded Liabilities: Police Pension Scheme				Funded Liabilities: Local Government Pension Scheme		Total	
	Old	New	Old	New				
	2011/12	2011/12	2012/13	2012/13	2011/12	2012/13	2011/12	2012/13
	£m	£m	£m	£m	£m	£m	£m	£m
1st April balance b/fwd	(1,058.1)	(21.1)	(1,148.4)	(33.8)	(153.8)	(178.6)	(1,233.0)	(1,360.8)
Current service cost	(28.2)	(7.9)	(29.9)	(8.4)	(9.2)	(9.4)	(45.3)	(47.7)
Interest cost	(60.0)	(1.5)	(56.0)	(1.9)	(8.7)	(8.8)	(70.2)	(66.7)
Contributions by scheme participants	0.0	0.0	0.0	0.0	(3.5)	(3.4)	(3.5)	(3.4)
Actuarial (losses) / gains	(40.1)	(3.0)	(155.1)	(10.8)	(6.3)	(30.3)	(49.4)	(196.2)
Estimated Unfunded benefits paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Benefits paid	38.1	0.0	40.1	0.2	3.5	3.6	41.6	43.9
Past service costs	(0.1)	(0.3)	(0.1)	(0.3)	0.0	0.0	(0.4)	(0.4)
Curtailment and settlements	0.0	0.0	0.0	0.0	(0.6)	(0.1)	(0.6)	(0.1)
<b>31st March balance c/f</b>	<b>(1,148.4)</b>	<b>(33.8)</b>	<b>(1,349.4)</b>	<b>(55.0)</b>	<b>(178.6)</b>	<b>(227.0)</b>	<b>(1,360.8)</b>	<b>(1,631.4)</b>

Reconciliation of fair value of the scheme assets:

	<b>Local Government Pension Scheme</b>	
	<b>2011/12</b>	<b>2012/13</b>
	<b>£m</b>	<b>£m</b>
1st April balance b/fwd	119.9	130.0
Expected return on assets	8.5	7.6
Actuarial gains / (losses)	(6.3)	13.4
Employer contributions	7.8	7.7
Contributions in respect of Unfunded Benefits	0.0	0.0
Contributions by scheme participants	3.5	3.5
Unfunded benefits paid	0.0	(0.0)
Benefits paid	(3.4)	(3.6)
<b>31st March balance c/fwd</b>	<b>130.0</b>	<b>158.5</b>

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. The actual return on scheme assets in the year was £21m, (2011/12 £2.3m).

Scheme history:

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Present value of liabilities:					
Local Government Pension Scheme	(97.2)	(185.9)	(153.8)	(178.6)	(227.0)
Police Pension Scheme:					
Old Scheme	(776.4)	(1,156.5)	(1,059.0)	(1,148.4)	(1,349.4)
New Scheme	(4.8)	(15.1)	(20.2)	(33.8)	(55.0)
Fair value of assets:					
Local Government Pension Scheme	67.2	106.6	119.9	130.0	158.5
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(30.0)	(79.3)	(33.9)	(48.6)	(68.5)
Police Pension Scheme:					
Old Scheme	(776.4)	(1,156.5)	(1,059.0)	(1,148.4)	(1,349.4)
New Scheme	(4.8)	(15.1)	(20.2)	(33.8)	(55.0)
<b>Total</b>	<b>(811.2)</b>	<b>(1,250.9)</b>	<b>(1,113.1)</b>	<b>(1,230.8)</b>	<b>(1,472.9)</b>

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £1,472.9m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,351.9m. 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 PCC.

### **36.3. Expected Future Contributions**

The total contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2014 are £7.4m. Expected contributions for the Police Pension Scheme in the year to 31 March 2014 are £16.4m.

### **36.4. Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method; an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. 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 2012. 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 accuracy of the outcome relies on assumptions made in a turbulent economy, and actual results may be materially different.

The principal actuarial assumptions used have been:

	<b>Local Government Pension Scheme</b>		<b>Police Pension Scheme</b>	
	<b>2011/12</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2012/13</b>
Long-term expected rate of return on assets in the scheme:				
Equity Investments	6.3%	4.5%	-	-
Bonds	3.9%	4.5%	-	-
Property	4.4%	4.5%	-	-
Cash	3.5%	4.5%	-	-
Rate of inflation	2.5%	2.8%	2.5%	2.5%
Rate of increase in salaries	4.8%	5.1%	4.7%	4.8%
Rate of increase in pensions	2.5%	2.8%	2.5%	2.5%
Rate for discounting scheme liabilities	4.8%	4.5%	4.9%	4.3%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.9 years		23.4 years	
Women	24.0 years		25.8 years	
Longevity at 65 for future pensioners:				
Men	23.9 years		25.7 years	
Women	25.9 years		27.9 years	

The Police Pension Scheme is unfunded, and therefore has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	<b>Asset Distribution 31 March 2012 %</b>	<b>Asset Distribution 31 March 2013 %</b>
Equity investments	73%	76%
Bonds	18%	18%
Property	6%	5%
Other	3%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Changes to the Local Government Pension Scheme permits employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The valuation of the Group's retirement benefit liabilities as at 31 March 2013 includes an allowance for this change to the pension scheme. An allowance has also been made for life expectancy improvements.

Further information can be found in Surrey County Council's Pension Fund's Annual Report which is available on request from County Hall, Kingston Upon Thames, Surrey KT1 2DN.

### **36.5. History of experience Gains and Losses**

The actuarial gains identified as movements on the Pensions reserve can be analysed into the following categories, measured as absolute amounts and as percentages of assets or liabilities as at 31 March each year:

	<b>2008/09</b>		<b>2009/10</b>		<b>2010/11</b>		<b>2011/12</b>		<b>2012/13</b>	
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
<b>Local Government Pension Scheme:</b>										
Difference between the expected and actual return on assets	(25.4)	(37.8)	25.5	24.0	1.9	1.6	(6.3)	(4.8)	13.4	175.7
Experience gains / (losses) on liabilities	0.0	0.0	0.0	0.0	(7.9)	5.1	(1.4)	(0.8)	0.2	(0.1)
<b>Police Pension Scheme:</b>										
Experience gains / (losses) on liabilities	1.1	(0.1)	20.5	(1.8)	20.8	(1.9)	(10.8)	(0.9)	38.6	(2.7)

### 36.6. Financing of Police Pensions

The service cost of employees is reflected in the Comprehensive Income & Expenditure Account, and the liabilities are shown in the Balance Sheet. The in-year cost of police pensions is financed with the contributions from police officers (old scheme 11% and new scheme 9.5%) and also a contribution from the employer at 24.2% of salary 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 Comprehensive Income and Expenditure Account funded by the Home Office. Conversely, if there is a surplus this would be transferred to the Comprehensive Income and Expenditure Account for repayment to the Home Office.

The Pension Fund Account, shown below, shows a deficit of £12.9m, offset by a transfer from the Income and Expenditure Account, funded by a grant from the Home Office. The Fund's Financial Statements do not take account of liabilities to pay pensions and other benefits after the period end.

#### **SURREY POLICE PENSION FUND ACCOUNT**

<b>FUND ACCOUNT</b>	<b>2011/2012 £m</b>	<b>2012/2013 £m</b>
<b>Contributions receivable</b>		
from employer		
normal	(16.3)	(16.4)
early retirements	(0.9)	(0.3)
other	0.0	0.0
from members	(7.1)	(7.9)
<b>Transfers in</b>		
individual transfers in from other schemes	(0.3)	(0.4)
other	0.0	0.0
<b>Benefits payable</b>		
pensions	26.8	29.1
commutations and lump sum retirement benefits	8.3	7.1
lump sum death benefits	0.0	0.2
lump sum ill-health benefits	0.0	0.0
<b>Payments to and on account of leavers</b>		
refund of contributions	0.0	0.0
individual transfers out to other schemes	1.0	1.5
other	0.0	0.0
<b>Sub-total for the year before transfer from the Group of amount equal to the deficit</b>	<b>11.5</b>	<b>12.9</b>
<b>Additional funding payable by the Group to fund the deficit for the year</b>	<b>(11.5)</b>	<b>(12.9)</b>
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

<b>NET ASSETS STATEMENT</b>	<b>2011/2012 £m</b>	<b>2012/2013 £m</b>
<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>

### **37. Official Funds**

The Group holds 235k included in the cash balances and creditors which relates to the saving account for the Welfare Fund. This is an official fund with non-charitable status.

Receipts to the Fund are as a result of donations. Payments from the Fund are made to police widows and charities. Grants and loans are also made to officers and police staff of the Force where the cause is appropriate.

## **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 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 revalued 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.

**NON-CURRENT ASSETS**

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

**GENERAL FUND BALANCES**

Accumulated surpluses which are 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 which the PCC is required to 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 or recreating the particular asset in its existing condition and in its existing use, (i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset).

**OPERATING LEASE**

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**

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 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**

The cost of work done on an incomplete project as at the end of the year.