

**To: Joint Audit Committee****Date: 15<sup>th</sup> September 2014****By: Ian Perkin, PCC Treasurer****Title: Annual Governance and Financial Statements 2013/14**

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**Introduction:**

This report contains the draft Annual Statement of Accounts and Annual Governance Statement for 2013/14 for both the Chief Constable and the Police & Crime Commissioner, for review by the Audit Committee pending their recommendations to the Chief Constable and the Police & Crime Commissioner.

**Detail:**

The Annual Statement of Accounts and Annual Governance Statement for both the Chief Constable (CC) and the Police & Crime Commissioner (PCC) have to be prepared as soon as possible after the end of the financial year and approved by the CC and PCC respectively no later than 30<sup>th</sup> September 2014. The 2013/14 CC & PCC Statement of Accounts, have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, based on International Financial Reporting Standards, issued by the Chartered Institute of Public Finance & Accountancy. Contained within each of the Statement of Accounts, are the CC and PCC's Annual Governance Statements for 2013/14, which are intended to provide assurance that both Corporation Soles have in place governance frameworks that cover the systems, processes and culture and values, through which each organisation manages its activities and ensures that it can monitor the achievement of its objectives and its effectiveness in providing an appropriate cost effective police service.

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**Recommendation(s) –**

- (i) The Committee is asked to recommend to the Chief Constable that she signs off the 2013/14 Chief Constable's Annual Statement of Accounts and Annual Governance Statement.

- (ii) The Committee is asked to recommend to the Police & Crime Commissioner that he signs off the 2013/14 Police & Crime Commissioners Annual Statement of Accounts and Annual Governance Statement.

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**Equalities Implications** – The contents of the report have been considered for any potential equality implications and none arise.

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**Risk** – The contents of the report have been considered for any potential risks and none arise.

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**Human Rights** – The contents of this report have been considered for any human rights implications and none arise.

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**Attachments** – Chief Constable of Surrey - Statement of Accounts 2013/14  
Surrey Police & Crime Commissioner - Statement of Accounts 2013/14

**Background papers** – Code of Practice on Local Authority Accounting 2013/14

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**Contact details -**

**Name:** Ian Perkin

**Job Title:** PCC Treasurer

**Telephone number:** 01483 638724

**Email address:** perkin11584@surrey.pnn.police.uk

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# Surrey Police and Crime Commissioner

## Statement of Accounts 2013-14



## CONTENTS

EXPLANATORY FOREWORD.....	4
1. Introduction .....	4
2. The Statement of Accounts.....	5
3. Police & Crime Commissioner Financial Arrangements .....	5
4. Operating (Revenue) Expenditure .....	6
5. Capital Expenditure.....	7
6. Employee Pension Schemes .....	7
7. Overall Financial Position.....	7
8. Financial Outlook .....	8
INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR SURREY .....	9
STATEMENT OF RESPONSIBILITIES.....	11
SURREY POLICE AND CRIME COMMISSIONER ANNUAL GOVERNANCE STATEMENT 2013-14.....	12
2013/2014 FINANCIAL STATEMENTS.....	18
Movement in Reserves Statement for the Police and Crime Commissioner for Surrey Group.....	18
Movement in Reserves statement for the Police and Crime Commissioner for Surrey (PCC).....	19
Comprehensive Income & Expenditure Statement for the Police and Crime Commissioner for Surrey (PCC) and the PCC Group.....	20
Balance Sheet for the Police and Crime Commissioner for Surrey (PCC) and the PCC Group .....	21
Cash Flow for the Police and Crime Commissioner for Surrey (PCC) and the PCC Group.....	22
NOTES TO THE ACCOUNTS.....	23
1. Critical Judgements in Applying Accounting Polices.....	23
2. Events After The Balance Sheet Date .....	23
3. Assumptions made about the future and other major sources of estimation uncertainty.....	24
4. Prior Year Adjustments .....	24
5. Exceptional Items.....	24
6. Adjustments between Accounting Basis and Funding Basis under Regulations .....	25
7. Transfers To/From Earmarked Reserves.....	26
8. Grant Income .....	27
9. Capital Expenditure and Capital Financing .....	28
10. Property, Plant and Equipment.....	29
11. Intangible Assets .....	31
12. Debtors .....	32
13. Cash and Cash Equivalents .....	32
14. Assets Held for Sale .....	33

15.	Creditors .....	33
16.	Provisions .....	34
17.	Usable Reserves .....	35
18.	Unusable reserves.....	36
19.	Amounts Reported For Resource Allocation Decisions.....	39
20.	Collaborations.....	41
21.	Leases .....	42
22.	Private Finance Initiatives and Similar Contracts .....	43
23.	Joint Audit Committee .....	43
24.	Officers' Remuneration.....	43
25.	Number of exit packages agreed.....	46
26.	Defined Benefit Pension Schemes .....	46
27.	External Audit Costs .....	53
28.	Related Parties .....	53
29.	Contingent Liabilities .....	53
30.	Contingent Assets .....	53
31.	Financial Instruments .....	53
32.	Nature and extent of risks arising from Financial Instruments.....	54
ACCOUNTING POLICIES.....		56
1.	General Principles.....	56
2.	Fundamental Accounting Policies .....	56
3.	Income and Expenditure .....	57
4.	Overheads and Support Services .....	57
5.	Non-Current Assets - Property, Plant and Equipment .....	57
6.	Funding of capital expenditure to purchase Non-Current Assets.....	59
7.	Charges to Revenue for Non-Current Assets .....	60
8.	Leases.....	60
9.	Heritage Assets.....	60
10.	Intangible Assets .....	60
11.	Inventories .....	61
12.	Debts Outstanding.....	61
13.	Reserves and Provisions.....	61
14.	Employee Benefits Payable During Employment .....	61
15.	Termination Benefits / Exit Packages.....	61
16.	Long-term employee benefits – Pension arrangements.....	62

17.	Revenue Grants and Contributions .....	63
18.	Redemption of Debt.....	63
19.	Cash and Cash Equivalents .....	63
20.	VAT.....	63
21.	Financial Instruments .....	63
22.	Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors .....	64
23.	Exceptional Items .....	64
24.	Accounting Standards issued but not yet adopted .....	64
	GLOSSARY OF ACCOUNTING TERMS .....	65

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

## **EXPLANATORY FOREWORD**

### **1. Introduction**

The purpose of this foreword is to provide a guide to the most significant matters reported in the 2013/14 Financial Statements for the Police and Crime Commissioner (PCC) for Surrey and the PCC Group (the Group position reflects the consolidated accounts of the PCC and the Chief Constable). This foreword explains the purpose of the Financial Statements and a summary of the financial activities during 2013/14 and its financial position as at 31<sup>st</sup> March 2014.

This is the second year that Financial Statements have been prepared for the PCC and the PCC Group. The PCC for Surrey took office on the 22<sup>nd</sup> November following an election under The Police Reform and Social Responsibility Act 2011. The PCC is responsible for delivering an effective and efficient police service in Surrey, to oversee the work of Surrey Police, and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996.

The financial transactions under the above arrangement 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 and Accumulated Absences Reserves.

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.

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

All the financial transactions incurred during 2013/14 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 2014. 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 Constable's Comprehensive Income and Expenditure Account and Balance Sheet are shown along-side the PCC and the PCC Group position in this Statement of Accounts.

The 2013/14 Financial Statements which follow this foreword, have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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 council tax) and other reserves.
- **Comprehensive Income and Expenditure Statement.** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from council tax. The PCC raises council tax to cover expenditure in accordance with regulations which differs from the accounting cost. Expenditure in accordance with regulation is shown in the Movement in Reserves Statement.
- **Balance Sheet.** This statement shows the value as at the 31st March 2014 of the assets and liabilities recognised by the PCC and PCC Group. The net assets (assets less liabilities) are matched by either usable or unusable reserves.
- **Cash Flow Statement.** This statement shows the changes in cash and cash equivalents of the PCC and PCC Group during the reporting period. The statement shows how the PCC and PCC Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

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

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

## 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 2013/14, was set at £207.7m (2012/2013, £208.8m). A summary of the funding sources is shown below:

	2012/2013 £m	2013/2014 £m
Home Office Police Grants	65.0	69.3
Non Domestic Rates	32.6	31.7
Revenue Support Grant	0.6	0.0
Community Support Officers	4.4	0.0
Community Safety Fund	0.0	0.7
Council Tax Freeze Grant	2.5	2.5
<b>Total Central Support</b>	<b>105.1</b>	<b>104.2</b>
Gross Council Tax Requirement	102.7	98.3
Council Tax Localisation Grant	0.0	6.7
General Reserves	1.0	(1.5)
<b>Total Funding</b>	<b>208.8</b>	<b>207.7</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, there is a range of specific grants that are targeted towards initiatives to improve the police service. Details of these grants are available in the notes to the Financial Statements.

End of year variations to the £207.7m budget (2012/2013 £208.8m) 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 2013/2014 is shown in the Capital Expenditure and Capital Financing table. The balances held for future capital expenditure are shown in the Balance Sheet and notes to the Core Financial Statements.

## The Role of the Police and Crime Commissioner

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

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

### 4. Operating (Revenue) Expenditure

The PCC budgeted to spend £207.7m in 2013/2014 which included £1.5m to increase reserves. Expenditure of £207.4m was actually incurred therefore resulting in an additional £0.3m increase in reserves. This is summarised in the following table.



	£m
Gross Budget	207.7
Out-turn Expenditure	207.4
Gross Variation	0.3
To/(from) Reserves	0.3

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 31st March 2014 can be seen in the Comprehensive Income and Expenditure Statement.

## 5. Capital Expenditure

The approved capital budget totalled £11m for 2013/2014 (£8.3m in 2012/2013) which, combined with prior year budget approvals brought forward on incomplete schemes, increased the budget to £17.4m (£16m in 2012/2013). The Capital Strategy Board closely monitors capital budget/expenditure as capital schemes by their nature often span a number of financial years. In 2013/2014 actual expenditure of £13.4m (£8.2m in 2012/2013) was incurred, which was funded by capital grants, capital receipts, revenue, and third party contributions. The under spend is to be carried forward to 2014/2015. The major schemes that continue into 2014/2015 are:

Digital Audio Interviewing  
Niche RMS  
Mobile Data  
Refurbishment of former Reigate Custody Suite  
Information Architecture

Details of actual expenditure and financing for the year are shown in the Capital Account. A significant scheme completed during 2013/14 was Salford's custody suite, which was opened in November 2013.

## 6. Employee Pension Schemes

The PCC Group operates two separate pension schemes, one for Police Officers and another for Police Staff. Although benefits from these schemes will not be payable until an officer or staff member retires, the PCC Group has a future commitment to make these payments and under International Accounting Standard 19 (IAS 19), the PCC Group is required to account for this future commitment based on the full cost at the time of retirement.

The value of the police staff pension scheme is assessed triennially and the employer's contribution is increased in line with the actuary's recommendations. The latest triennial valuation completed in April 2013 has resulted in employer's contributions being increase from 12% to 17.7% with effect from 1<sup>st</sup> April 2014. A specific reserve was set up to offset some of this future increase in costs which is estimated at £3.5m per year.

For the police officers pension fund, the employer's contribution rate is presently set at 24.2%. Under current legislation, any costs that are over or under the employer's contribution are met by the Home Office or returned to them.

## 7. Overall Financial Position

The level of available revenue balances, earmarked reserves and general reserves held by the PCC has increased from £17.6m to £19.4m. The balance of £19.4m represents 9.4% of the 2013/2014 annual budget. General Reserves are £11.1m, 5.3% of the annual budget at the end of 2013/14 with earmarked reserves at £8.3m.

The earmarked reserves are held as follows: At 31st March 2014 £3.4m 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 £2.1m in a Police Staff Pension Scheme reserve.

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

## **8. Financial Outlook**

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 PCC set the revenue budget for 2014/15 at £207.3m, which required a 1.99% increase in council tax, despite the overall budget reducing by £0.4m.

The Group has established a number of significant strategic collaborations and continues to be actively involved with several 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 2013/14 Surrey and Sussex Police agreed to move to a 'lead force model' for areas of collaboration to gain the maximum benefits, with Surrey taking the lead in Specialist Crime and Sussex for Operations. Areas where collaboration was already in place will be encompassed within this model. In the Support Services area a Joint Procurement & Insurance Service has been established and during 2013/14 the Joint Transport Service to manage the Surrey/Sussex Fleet came into operation. The aligning of systems, policies and processes in HR, Finance and ICT is progressing to enable a combined operating structure to be established in the future.

In a wider area, working more closely with other public and emergency 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 2014/2015 can be found in the Surrey Police and Crime Commissioner's Precept Setting proposal. Whilst the annual budget is agreed by the PCC it is scrutinised by the Police and Crime Panel before a final decision is made. Copies of the documents can be obtained from the Office of the Police and Crime Commissioner for Surrey by telephoning: 01483 630200, or from the web site at [www.surrey-pcc.gov.uk](http://www.surrey-pcc.gov.uk)

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

Date:

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



**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:

**The Responsibilities of the Treasurer**

The Treasurer is responsible for the preparation of the Statement of Accounts for the Office of the Police and Crime Commissioner in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Office of the Police and Crime Commissioner for Surrey and the Surrey Police Group at the accounting date and the income and expenditure for the year ended 31 March 2014.

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

Date:

## SURREY POLICE AND CRIME COMMISSIONER ANNUAL GOVERNANCE STATEMENT 2013-14

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 2013/14 (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 governance arrangements, which must not be fettered by the PCC.

The PCC is supported by a Deputy PCC and 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.

### 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 2014 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 resources 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. Consultation has taken place with the public throughout 2013/14 to 'test' the promises with the public and partner organisations and obtain the views of the public on the budget and precept proposals, 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 has remained 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.

The plan was updated in March 2014 to add some additional areas of focus for the PCC as follows:

- *Joint enforcement and joint working*
- *Campaign for better funding for Surrey Police*
- *Collaboration and campaigning for national mergers of police forces*
- *Safeguarding the passion for service of police officers and staff*
- *PCC actions to support crime prevention*
- *Commissioning of victims services*

The Chief Constable was consulted on these additions and the Police and Crime Panel approved them in March 2014.

### **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 revenue and capital budgets, 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. 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 Surrey & Sussex Joint Procurement Board (where new and existing contracts are reviewed) and the Capital Strategy Board (where capital projects are approved and monitored).

## **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.

The structure and work of the team 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. Advice on financial matters is given to the PCC by his Chief Financial Officer.

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

The Police and Crime Panel 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 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 join the Surrey District Council Internal Audit Consortium. Following a competitively tendered process, RSM Tenon (Now Baker Tilly) was appointed internal auditor for the consortium and therefore Surrey Police Authority and latterly the PCC, from 1<sup>st</sup> April 2012. Baker Tilly 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 approved by the Joint Audit Committee. The CIPFA code requires Internal Audit to provide an opinion on the overall adequacy and effectiveness of the governance framework. The Audit Opinion for 2013/14 is set out below.

### **Internal Audit opinion 2013/14**

For the 12 months ended 31 March 2014, based on the work we have undertaken, there are adequate arrangements in place for governance, risk management and control.

#### **The Basis of the Opinion**

**Governance** – A Review of the Annual Governance Statements was carried out as part of the 2013/14 plan. This review was advisory and therefore no formal opinion was given. However, no significant weaknesses were noted and only three low priority recommendations raised. In addition we have reviewed governance arrangements as part of other assurance work provided, including monitoring and reporting to the most appropriate committee and ensuring content of reporting is sufficient and provides the necessary information for decision making.

**Risk Management** – We completed a review of Risk Management as part of our 2013/14 internal audit work. This review resulted in a Green opinion. However, as the risk management framework had recently been amended, whilst we could confirm the design was appropriate we were only able to complete limited testing regarding compliance with the new risk management arrangement.

**Control** - We completed seven 'control' reviews which resulted in one green opinion, five amber/green opinions and one amber/red opinion for Business Interests. The follow up work reported adequate progress against completion of the recommendations raised. In addition, advisory work was completed regarding the Stage 2 Transfer and Commissioning – Victim Support.

### **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 Joint Audit Committee also has oversight of the PCCs and 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 a professionally qualified accountant, report directly to the PCC or the CC (depending on the specific CFO concerned) and be a member of their respective leadership teams. In the OPCC, the role of the CFO meets these requirements. In Surrey Police, the CFO 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 Officer, 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 Joint 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 (the PCC's Chief Finance 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. Since his election, the PCC introduced Crime Summits and Local Policing Boards. In 2013/14 the PCC held 11 Police and Crime Summits, one in each district and borough in Surrey. These were well attended at around 1000 people across Surrey. Local Policing Boards are held by Surrey Police in a variety of ways – including local meetings, street surgeries, facebook meetings. The Surrey Office of the PCC was commended nationally<sup>1</sup> for work done in public engagement.

The PCC and Deputy PCC have also attended a large number and variety of public events, resident meetings, groups and partnership meetings. They attend events every week including, during 2013/14, meetings with the Woking Taxi Drivers Association, Youth Shout events and residents meetings all over Surrey.

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<sup>1</sup> Commended in the PCC and Public Engagement Awards given by CoPaCC – an organisation which compares the work of Offices of PCCs.

The PCC and his office also make best use of social media including an active Twitter following and account, as a means to engage with people in Surrey who prefer social media to attending meetings. 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.

### **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 was 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 awards grants and details of those projects he has supported are published on his [website](#).

For 2014/15 this grant was not received but was subsumed into the main policing grant. From the policing grant the PCC decided to allocate £623,370 to community safety. £100,000 of this will be directed to support domestic abuse outreach services, £300,000 towards partner schemes which meet PCC priorities and the remainder was available for charitable and other community groups to bid for against a set of criteria. These criteria are published on the PCC's website.

### **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 Joint Audit Committee reviews the effectiveness of the governance framework to ensure that arrangements continue to be regarded as fit for purpose.

### **Significant governance issues**

#### **2013/14**

In April 2013, the PCC made a decision to terminate a significant computer technology project known as 'Siren' and instead invest in a new computer project in collaboration with Sussex Police. His decision was informed by the professional advice of the Chief Constable from an operational perspective, as well as an independently commissioned consultancy report prepared by Mazars an independent audit and consulting group. 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 entering into a collaborative arrangement with Surrey Police.

This decision has resulted in the writing off in the 2013/14 accounts of capital costs amounting to £10.9 million. External auditors, Grant Thornton have carried out a review of the termination of the Siren project in order to consider the reasons behind the termination of the project to ensure that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in respect of this project given the size of the financial write-off. The report is due to be made public in the summer of 2014 and the PCC will hold a public meeting to make clear his response to that report.

During 2013/14 the OPCC and Surrey Police prepared for 'Stage 2 Transfer'. When PCCs were elected in November 2012 they took over responsibility for all police staff and assets from the Police Authorities, Stage 1 transfer. The legislation then required PCCs and Chief Constables to become separate Corporate Bodies from 1 April 2014 and to divide staff and assets between the two bodies. This is known as Stage 2 transfer. During 2013/14 a transfer scheme was developed, submitted to and agreed by the Home Secretary.

#### **2014/15**

As at 1 April 2014 the Stage 2 transfer scheme was implemented. This saw the PCC and Chief Constable become separate corporate bodies. Most police staff were transferred to the Chief Constable with the exception of the small

team of support staff (13 posts) to enable the PCC to have sufficient resource to carry out his statutory functions. All assets remain under the ownership of the PCC with a Scheme of Delegation and Decision Making Framework making it clear which functions are to be carried out by the PCC and which will be carried out by the Chief Constable.

A full new Scheme of Corporate Governance was put in place on 1 April 2014. The scheme was developed alongside the Sussex PCC and Sussex Chief Constable to ensure that as the two police forces continue to work collaboratively the governance process are aligned. The schemes were given to the Audit Committees of each force area for comment before sign off and the plans for stage 2 transfer were subject to an internal audit. Copies of the new Scheme of Corporate Governance and supporting documents are published on the PCCs website.

**Signed:** \_\_\_\_\_

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

	Notes	General Fund Balance £m	Earmarked Reserves £m	Pension Reserve	Capital Grants Unapplied £m	Capital Receipts Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
<b>Balance at 1 April 2012</b>		8.9	6.5	(1,230.8)	0.4	0.0	(1,215.0)	104.2	(1,110.8)
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 Income and Expenditure		0.0	0.0	(183.0)	0.0	0.0	(183.0)	2.8	(180.2)
<b>Total Comprehensive Income and Expenditure</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 carried forward</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>
Surplus or (deficit) on provision of services		(86.9)	0.0	0.0	0.0	0.0	(86.9)	0.0	(86.9)
Other Comprehensive Expenditure and Income		0.0	0.0	0.0	0.0	0.0	0.0	70.1	70.1
<b>Total Comprehensive Expenditure and Income</b>		<b>(86.9)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(86.9)</b>	<b>70.1</b>	<b>(16.8)</b>
Adjustments between accounting basis & funding basis under regulations		88.7	0.0	0.0	0.0	8.4	97.1	(97.0)	0.1
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>		<b>1.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>8.4</b>	<b>10.2</b>	<b>(26.9)</b>	<b>(16.7)</b>
Transfers to / from Earmarked Reserves		(0.1)	0.1	1,472.9	0.0	0.0	1,472.9	(1,472.9)	0.0
<b>Increase / Decrease in Year</b>		<b>1.7</b>	<b>0.1</b>	<b>1,472.9</b>	<b>0.0</b>	<b>8.4</b>	<b>1,483.1</b>	<b>(1,499.8)</b>	<b>(16.7)</b>
<b>Balance at 31 March 2014</b>		<b>11.1</b>	<b>8.3</b>	<b>0.0</b>	<b>0.2</b>	<b>10.8</b>	<b>30.4</b>	<b>(1,398.8)</b>	<b>(1,368.4)</b>

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

	Notes	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 2012</b>		8.9	6.5	0.4	0.0	15.8	104.2	120.0
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>
Surplus or (deficit) on provision of services		(9.0)	0.0	0.0	0.0	(9.0)	0.0	(9.0)
Other Comprehensive Expenditure and Income		0.00	0.0	0.0	0.0	0.0	7.0	7.0
<b>Total Comprehensive Expenditure and Income</b>		<b>(9.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(9.0)</b>	<b>7.0</b>	<b>(2.0)</b>
Adjustments between accounting basis & funding basis under regulations		10.8	0.0	0.0	8.4	19.2	(19.0)	0.2
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>		<b>1.8</b>	<b>0.0</b>	<b>0.0</b>	<b>8.4</b>	<b>10.2</b>	<b>(12.0)</b>	<b>(1.8)</b>
Transfers to / from Earmarked Reserves		(0.1)	0.1	0.0	0.0	0.0	0.0	0.0
<b>Increase / Decrease in Year</b>		<b>1.7</b>	<b>0.1</b>	<b>0.0</b>	<b>8.4</b>	<b>10.2</b>	<b>(12.0)</b>	<b>(1.8)</b>
<b>Balance at 31 March 2014</b>		<b>11.1</b>	<b>8.3</b>	<b>0.2</b>	<b>10.8</b>	<b>30.4</b>	<b>89.0</b>	<b>119.4</b>

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

31 March 2013					31 March 2014					
Group			PCC	CC		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
82.0	(3.6)	78.4	(3.6)	82.0	Local Policing	81.7	(2.5)	79.2	(2.5)	81.7
20.9	(1.1)	19.8	(1.1)	20.9	Dealing with the Public	24.6	(0.8)	23.8	(0.8)	24.6
17.1	(1.5)	15.6	(1.5)	17.1	Criminal Justice Arrangements	18.1	(1.3)	16.8	(1.3)	18.1
10.5	(2.7)	7.8	(2.7)	10.5	Roads Policing	11.2	(2.7)	8.5	(2.7)	11.2
12.5	(2.9)	9.6	(2.9)	12.5	Specialist Operations	10.7	(1.4)	9.3	(1.4)	10.7
22.7	(2.4)	20.3	(2.4)	22.7	Intelligence	20.2	(2.1)	18.1	(2.1)	20.2
59.5	(2.2)	57.3	(2.2)	59.5	Specialist Investigations	73.6	(2.9)	70.7	(2.9)	73.6
7.4	(0.3)	7.1	(0.3)	7.4	Investigative Support	8.2	(0.2)	8.0	(0.2)	8.2
4.5	(3.1)	1.4	(3.1)	4.5	National Policing	3.8	(1.9)	1.9	(1.9)	3.8
0.6	0.0	0.6	0.0	0.6	Non Distributed Costs	0.7	0.0	0.7	0.0	0.7
1.8	0.0	1.8	1.2	0.6	Corporate and Democratic Core	2.3	0.0	2.3	1.7	0.6
<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>255.1</b>	<b>(15.8)</b>	<b>239.3</b>	<b>(14.1)</b>	<b>253.4</b>
0.4	0.0	0.4	0.0	0.4	<b>Other Operating Expenditure</b>	0.4	0.0	0.4	0.0	0.4
0.0	0.0	0.0	238.7	(238.7)	Levies	0.0	0.0	0.0	239.6	(239.6)
				<b>0.0</b>	Intra-group funding					<b>14.2</b>
0.0	(0.6)	(0.6)	(0.6)		(Gain) or Loss on the disposal of non-current assets	0.0	(7.2)	(7.2)	(7.2)	
0.0	(12.9)	(12.9)	(12.9)		Siren Write Off*	10.9	0.0	10.9	10.9	
					Home Office grant payable to the cost of retirement benefits	0.0	(12.0)	(12.0)	(12.0)	
					<b>Financing and Investment Income and Expenditure</b>					
0.0	(0.1)	(0.1)	(0.1)		Interest and Investment Income	0.0	(0.1)	(0.1)	(0.1)	
59.1	0.0	59.1	0.0	59.1	Pension Interest Cost	71.0	(7.3)	63.7	0.0	63.7
					<b>Taxation and Non-Specific Grant Income</b>					
0.0	(1.8)	(1.8)	(1.8)		Capital Grants and Contributions	0.0	(1.4)	(1.4)	(1.4)	
0.0	(0.7)	(0.7)	(0.7)		Revenue Support Grant	0.0	0.0	0.0	0.0	
					Localisation Support Grant	0.0	(6.7)	(6.7)	(6.7)	
0.0	(102.4)	(102.4)	(102.4)		Precept Income	0.0	(99.0)	(99.0)	(99.0)	
0.0	(35.0)	(35.0)	(35.0)		NNDR	0.0	(31.7)	(31.7)	(31.7)	
0.0	(65.0)	(65.0)	(65.0)		Police Grant	0.0	(69.3)	(69.3)	(69.3)	
<b>299.0</b>	<b>(238.3)</b>	<b>60.7</b>	<b>1.6</b>	<b>59.1</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>337.4</b>	<b>(250.5)</b>	<b>86.9</b>	<b>9.0</b>	<b>77.9</b>
0.0	(2.7)	(2.7)	(2.7)		(Surplus) or deficit on revaluation of property, plant and equipment assets	0.0	(7.0)	(7.0)	(7.0)	
0.0	0.0	0.0	0.0		Surplus or deficit on revaluation of available for sale financial assets	0.0	0.0	0.0	0.0	
183.0	0.0	183.0	0.0	183.0	Actuarial (gains) losses on pension assets / liabilities	0.0	(63.1)	(63.1)	0.0	(63.1)
<b>183.0</b>	<b>(2.7)</b>	<b>180.3</b>	<b>(2.7)</b>	<b>183.0</b>		<b>0.0</b>	<b>(70.1)</b>	<b>(70.1)</b>	<b>(7.0)</b>	<b>(63.1)</b>
<b>482.0</b>	<b>(241.0)</b>	<b>241.0</b>	<b>(1.1)</b>	<b>242.1</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>337.4</b>	<b>(320.6)</b>	<b>16.8</b>	<b>2.0</b>	<b>14.8</b>

\* See Exceptional Items Note 5

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

31 March 2013				Notes	31 March 2014		
Group £m	PCC £m	CC £m			Group £m	PCC £m	CC £m
			<b>Long Term Assets</b>				
99.0	99.0	0.0	Property, Plant & Equipment	10	90.2	90.2	0.0
2.6	2.6	0.0	Intangible Assets	11	4.2	4.2	0.0
1.9	1.9	0.0	Long Term Debtors	12	1.8	1.8	0.0
<b>103.5</b>	<b>103.5</b>	<b>0.0</b>	<b>Total Long Term Assets</b>		<b>96.2</b>	<b>96.2</b>	<b>0.0</b>
			<b>Current Assets</b>				
0.3	0.3	0.0	Inventories		0.2	0.2	0.0
16.3	16.3	0.0	Short Term Debtors	12	17.6	17.6	0.0
9.3	9.3	0.0	Cash and Cash Equivalents	13	27.1	27.1	0.0
10.8	10.8	0.0	Assets held for sale	14	3.9	3.9	0.0
<b>36.7</b>	<b>36.7</b>	<b>0.0</b>	<b>Total Current Assets</b>		<b>48.8</b>	<b>48.8</b>	<b>0.0</b>
			<b>Current Liabilities</b>				
(18.5)	(18.5)	0.0	Short Term Creditors	15	(26.1)	(25.5)	(0.6)
<b>(18.5)</b>	<b>(18.5)</b>	<b>0.0</b>	<b>Total Current Liabilities</b>		<b>(26.1)</b>	<b>(25.5)</b>	<b>(0.6)</b>
			<b>Long Term Liabilities</b>				
(0.5)	(0.5)	0.0	Provisions	16	(0.1)	(0.1)	0.0
(1,472.9)	0.0	(1,472.9)	Other Long Term Liabilities	26	(1,487.2)	0.0	(1,487.2)
<b>(1,473.4)</b>	<b>(0.5)</b>	<b>(1,472.9)</b>	<b>Total Long Term Liabilities</b>		<b>(1,487.3)</b>	<b>(0.1)</b>	<b>(1,487.2)</b>
<b>(1,351.7)</b>	<b>121.2</b>	<b>(1,472.9)</b>	<b>Net Assets</b>		<b>(1,368.4)</b>	<b>119.4</b>	<b>(1,487.8)</b>
			<b>Financed by:</b>				
			<b>Usable Reserves</b>	17			
2.4	2.4	0.0	Usable Capital Receipts		10.8	10.8	0.0
9.4	9.4	0.0	General Balances		11.1	11.1	0.0
8.2	8.2	0.0	Earmarked Reserves		8.3	8.3	0.0
0.2	0.2	0.0	Capital Grants Unapplied		0.2	0.2	0.0
(1,472.9)	0.0	(1,472.9)	Pension Reserve		0.0	0.0	0.0
			<b>Unusable Reserves</b>	18			
90.9	90.9	0.0	Capital Adjustment Account		73.6	73.6	0.0
9.7	9.7	0.0	Revaluation Reserve		13.7	13.7	0.0
0.0	0.0	0.0	Pension Reserve		(1,487.2)	0.0	(1,487.2)
1.0	1.0	0.0	Collection Fund Adjustment Account		1.7	1.7	0.0
(0.6)	(0.6)	0.0	Accumulated Absences Account		(0.6)	0.0	(0.6)
<b>(1,351.7)</b>	<b>121.2</b>	<b>(1,472.9)</b>			<b>(1,368.4)</b>	<b>119.4</b>	<b>(1,487.8)</b>

An amendment to the Police and Social Responsibility Act 2011 permits the Chief Constable to apply local government regulation, resulting in the Pension Reserve being an unusable reserve in the March 2014 Balance Sheet.

## Cash Flow for the Police and Crime Commissioner for Surrey (PCC) and the PCC Group

	Notes	31 March 2013		31 March 2014	
		£m	£m	£m	£m
<b>OPERATING ACTIVITIES</b>					
<b>Cash Outflows</b>					
Cash paid to and on behalf of employees		196.2		192.7	
Other operating activities		43.7		31.3	
			239.9		224.0
<b>Cash Inflows</b>					
Council Tax Income		(102.4)		(98.3)	
NNDR income		(35.0)		(31.7)	
Revenue Support Grant		(0.7)		0.0	
Police Grant		(65.0)		(69.3)	
Council Tax Localisation Grant		0.0		(6.7)	
Other Government grants		(29.0)		(24.5)	
Other receipts from operating activities		(4.6)		(3.3)	
Interest received		(0.1)		(0.1)	
			(236.8)		(233.9)
<b>Operating Activities Net Cash Out/Inflow</b>			<b>3.1</b>		<b>(9.9)</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash Outflows</b>					
Purchase of property plant and equipment		8.2		13.4	
Capital creditors		0.0		0.0	
			8.2		13.4
<b>Cash Inflows</b>					
Proceeds from sale of property, plant and equipment		(8.4)		(19.9)	
Capital grants received		(1.8)		(1.4)	
Other receipts from investing activities		0.0		0.0	
			(10.2)		(21.3)
<b>Investing Activities Net Cash Inflow</b>			<b>(2.0)</b>		<b>(7.9)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash Outflows</b>					
External interest paid		0.0		0.0	
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>1.1</b>		<b>(17.8)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>					
			<b>10.4</b>		<b>9.3</b>
<b>Cash and cash equivalents at the end of the reporting period</b>					
	13		<b>9.3</b>		<b>27.1</b>



## NOTES TO THE ACCOUNTS

### 1. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the 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 – the timing and value of future property sales need to be considered in order to provide funds for future capital programmes.
- Provisions – Icelandic banks – the PCC has taken a cautious and prudent approach in creating a provision against not receiving full payment from the Icelandic banks. Whilst most of this debt was cleared during 2014/15 a small provision still remains.
- Asset values – the PCC exercises judgement in determining the carrying value of land and buildings on the PCC/PCC Group Balance Sheet by having valuations on a 5-year basis supplied by external valuers, Bruton Knowles. In addition to valuations, the local market conditions and national data are assessed as to whether there should be changes in asset values.
- Leases – the PCC has to determine whether the leases it enters should be classified as operating or finance leases. The PCC must also consider whether contractual arrangements it enters into have the substance of a lease. These judgements are made on the professional opinion of the PCC Group's accountants and procurement manager based on contract procedure rules and the strict criteria set out in International Accounting Standard 17 (IAS 17) relating to leases.
- Working capital – the PCC controls the treasury management function and all bank accounts, therefore all working capital balances (cash, current debtors and currently liabilities) are recognised in the PCC's Balance Sheet
- Pensions – the PCC has to determine whether items should be recognised in the PCC or Chief Constable accounts. The decision for the Pension Reserve to be recognised in the Chief Constable accounts was 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.
- Accumulated absences - the PCC has to determine whether the leave accrual should be accounted for in the PCC or Chief Constables accounts. As the majority of employee costs are accounted for in the Chief Constables accounts the leave accrual has been accordingly matched and accounted for on the Chief Constables Balance Sheet.
- Transition – the PCC has accounted for the transition to two 'corporation sole' bodies, under FRS 6 'Acquisitions and Mergers' in 2013/14.

### 2. Events After The Balance Sheet Date

The audited Statement of Accounts was approved by the Police and Crime Commissioner on September 2014. Where events taking place before this date provide information about conditions existing at 31 March 2014, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

There are no events after the Balance Sheet date to report.

### 3. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Group's Balance Sheet at 31 March 2014 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 £67k for every year that useful lives are reduced. It is estimated that the annual depreciation charge for vehicles increases by £619k 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. The Government's Actuary's Department have been engaged to provide the Group with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme.	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 at 31 March 2013 when interim reviews were recommended prior to the next valuation at 31 March 2016. The accuracy of the outcome relies on assumptions made in a fragile economy, and actual results may be materially different.

### 4. Prior Year Adjustments

The Group has no prior year adjustments for the year ended 31 March 2014.

### 5. Exceptional Items

The Group has one exceptional item to report included in the Comprehensive Income and Expenditure Statement for the year ended 31st March 2014.

In the 2012/13 accounts the Group reported one material post balance sheet event concerning a decision in April 2013 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. As a result of this decision, £10.9m relating to the Siren project has been written off in 2013/14 from Property, Plant and Equipment in the Balance Sheet.

Whilst the write off has been charged to the Comprehensive Income and Expenditure Statement, under the separate arrangements for capital financing to ensure that such costs are not charged against council tax, the amount written off has been appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

## 6. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2012/2013	Usable Reserves			Unusable Reserves			
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Capital Adjustment £m Account	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)			
	0.2			(0.2)			
Capital expenditure charged in-year to the General Fund Balance							
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>

2013/2014	Usable Reserves					Unusable Reserves					
	PCC			CC	GROUP	PCC				CC	GROUP
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	General Fund Balance	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Accumulated Absences	Council Tax	Total Unusable	Total Unusable Reserves
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
<b>Reversal of items included in the Comprehensive Income and Expenditure Statement:</b>											
Amortisation of intangible fixed assets	(1.4)				(1.4)	1.4					1.4
Depreciation of property plant and equipment	(7.0)				(7.0)	7.0					7.0
Impairment of property plant and equipment	(2.0)				(2.0)		2.0				2.0
Exceptional Item	(10.9)				(10.9)	10.9					10.9
Capital Grants & Contributions Applied	1.4				1.4	(1.4)					(1.4)
Capital Grant & Contributions Unapplied					0.0						0.0
Disposal of property plant and equipment	(13.0)				(13.0)	13.0					13.0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	20.0	(8.4)			11.6	(11.6)					(11.6)
Short term employee benefits	0.6			(0.6)	0.0			(0.6)		0.6	0.0
				(123.8)	(123.8)					123.8	123.8
Net charges made for retirement benefits in accordance with IAS19											
Council Tax adjustment.	0.7				0.7			(0.7)			(0.7)
					0.0						0.0
					0.0						0.0
<b>Addition of items excluded from the Comprehensive Income and Expenditure Statement:</b>											
Minimum revenue provision for capital financing	0.7				0.7	(0.7)					(0.7)
Capital expenditure charged in-year to the General Fund Balance	0.3				0.3	(0.3)					(0.3)
Amortisation of Revaluation Reserve	(0.2)				(0.2)		0.2				0.2
Employer's contribution payable to the Pensions Account and retirement payable direct to pensioners				46.5	46.5					(46.5)	(46.5)
<b>Net additional amount required to be (credited) / debited to the General Fund balance for the year</b>	<b>(10.8)</b>	<b>(8.4)</b>	<b>0.0</b>	<b>(77.9)</b>	<b>(97.1)</b>	<b>18.3</b>	<b>2.2</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>77.9</b>	<b>97.1</b>

## 7. Transfers To/From Earmarked Reserves

The table below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

Earmarked Reserve Category	Balance as at 31 March 2013	Appropriations (to) from revenue	Balance as at 31 March 2014
	£m	£m	£m
Insurance	2.8	0.6	3.4
Ill Health	1.6	0.0	1.6
Healthcare	0.3	0.0	0.3
OPR	0.5	(0.5)	0.0
Employee Retention	0.9	0.0	0.9
Police Staff Pension Scheme	2.1	0.0	2.1
<b>Total Earmarked Reserves</b>	<b>8.2</b>	<b>0.1</b>	<b>8.3</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.

### OPR Reserve

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

## 8. Grant Income

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	2012/2013 £m	2013/2014 £m
<b>Income credited to Policing Services</b>		
Police Community Support Officers	4.4	0.0
Counter Terrorism	1.2	1.1
Proceeds of Crime Act	0.4	0.4
Interoperability Grant	0.3	1.0
Council Tax Freeze	0.0	2.4
Olympics	1.8	0.0
Mutual Aid Grant	0.0	0.3
Other Smaller Grants	0.1	0.1
Community Safety Fund	0.0	0.7
<b>Total credited to policing services</b>	<b>8.2</b>	<b>6.0</b>
<b>Other Operating Expenditure</b>		
Home Office grant payable to the cost of retirement benefits	12.9	12.0
<b>Total credited to other operating expenditure</b>	<b>12.9</b>	<b>12.0</b>
<b>Taxation and Non Specific Income</b>		
Capital Grants and Contributions	1.8	1.4
Council Tax Localisation Grant	0.0	6.7
Revenue Support Grant	0.7	0.0
Precept Income	102.4	99.0
NNDR	35.0	31.7
Police Grant	65.0	69.3
<b>Total credited to taxation and non specific income</b>	<b>204.9</b>	<b>208.1</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.

**Interoperability**

To promote the joint working between the Police and other emergency services e.g. Fire, Ambulance.

**Council Tax Freeze**

Government funding to compensate for reduced Council Tax Revenue.

**Olympic**

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. This has been now fully utilised.

**Mutual Aid**

To provide assistance to other emergency services in the event of a disaster or major incidents.

**Community Safety Fund**

This is for the PCC to commission services that helps tackle drugs and crime, reduce re-offending and improve community safety in their force area.

**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 1st April 2006.

**9. 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.

	2012/13 £m	2013/14 £m
<b>Opening Capital Financing Requirement</b>	<b>14.3</b>	<b>13.6</b>
<b>Capital Investment</b>		
Property - Land and Buildings	1.1	4.6
Vehicles, Plant & Equipment	4.2	6.3
Intangible assets	2.9	2.5
<b>Sources of Finance</b>		
Capital Receipts	(6.1)	(11.7)
Government Grants & other contributions	(1.8)	(1.5)
Direct Revenue contributions	(0.3)	(0.2)
MRP/loans fund principal	(0.7)	(0.7)
<b>Closing Capital Financing Requirement</b>	<b>13.6</b>	<b>12.9</b>
<b>Explanation of movements in year</b>		
MRP	(0.7)	(0.7)
Increase in underlying need to borrow (unsupported by government financial assistance)	0.0	0.0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(0.7)</b>	<b>(0.7)</b>

## 10. Property, Plant and Equipment

Changes in Non-Current Assets are summarised below:

<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>At 1 April 2012</b>	<b>83.9</b>	<b>51.8</b>	<b>3.8</b>	<b>10.1</b>	<b>149.6</b>
<b>Cost or Valuation</b>					
Additions	0.0	0.0	0.0	8.2	8.2
Reclassified to/(from) Assets Under Construction	0.4	4.0	0.0	(5.5)	(1.1)
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)	0.0	(0.9)
<b>At 31 March 2013</b>	<b>75.9</b>	<b>51.0</b>	<b>2.0</b>	<b>12.8</b>	<b>141.7</b>
<b>At 1 April 2012</b>	<b>(5.6)</b>	<b>(35.9)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(41.6)</b>
<b>Accumulated Depreciation and Impairment</b>					
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>	<b>(7.0)</b>	<b>(35.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>(42.7)</b>
<b>Net Book Value</b>					
<b>at 31 March 2013</b>	<b>68.9</b>	<b>15.3</b>	<b>2.0</b>	<b>12.8</b>	<b>99.0</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>

Movements in 2013/2014	Land and Buildings	Vehicle, Plant, Furniture & Equipment	Surplus Assets	Assets under construction	Total Property, Plant and Equipment
	£m	£m	£m	£m	£m
<b>At 1 April 2013</b>	<b>75.9</b>	<b>51.0</b>	<b>2.0</b>	<b>12.8</b>	<b>141.7</b>
<b>Cost or Valuation</b>					
Additions	4.5	4.4	0.0	2.0	10.9
Reclassified to/(from) Assets Under Construction	0.8	0.7	0.0	(1.8)	(0.3)
Revaluations recognised in Revaluation Reserve	7.0	0.0	0.0	0.0	7.0
Revaluations charged to CIES	(1.9)	0.0	0.0	0.0	(1.9)
Depreciation on Revaluations	(6.6)	0.0	0.0	0.0	(6.6)
Derecognition - disposals	(0.1)	(2.0)	0.0	(10.9)	(13.0)
Assets reclassified (to)/from Held for Sale	(6.0)	0.0	0.0	0.0	(6.0)
Assets reclassified (to)/From Surplus	(3.1)	0.0	3.1	0.0	0.0
Other movements in cost or valuation - Transfers	(0.2)	0.0	0.0	0.0	(0.2)
<b>At 31 March 2014</b>	<b>70.3</b>	<b>54.1</b>	<b>5.1</b>	<b>2.1</b>	<b>131.6</b>
<b>At 1 April 2013</b>	<b>(7.0)</b>	<b>(35.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>(42.7)</b>
<b>Accumulated Depreciation and Impairment</b>					
Depreciation charge	(1.6)	(5.6)	0.0	0.0	(7.2)
Depreciation on Disposals & Revaluations	6.8	1.7	0.0	0.0	8.4
Impairments	0.0	0.0	0.0	0.0	0.0
<b>At 31 March 2014</b>	<b>(1.8)</b>	<b>(39.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>(41.4)</b>
<b>Net Book Value</b>					
<b>at 31 March 2014</b>	<b>68.5</b>	<b>14.5</b>	<b>5.1</b>	<b>2.1</b>	<b>90.2</b>
<b>at 31 March 2013</b>	<b>68.9</b>	<b>15.3</b>	<b>2.0</b>	<b>12.8</b>	<b>99.0</b>

In the 2012/13 Statement of Accounts the Group reported the decision in April 2013 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. As a result of this decision, the £10.9m relating to the Siren project has been written off in 2013/14 Assets Under Construction as shown in above table at Derecognition-disposals.

Whilst the write off has been charged to the Comprehensive Income and Expenditure Statement, under the separate arrangements for capital financing to ensure that such costs are not charged against council tax, the amount written off has been appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

#### 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 £2.3m 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 31st March 2014 on the basis of value in existing use at £52m.

All police houses were valued by Bruton Knowles property consultants at 31st March 2012 on the basis of open market value (value at 31 March 2014 £18.2m).

At 31st March 2014 the Group's principal assets consisted of 20 operational stations and offices (including custody and control centres), 64 police houses and 847 police vehicles.

## 11. Intangible Assets

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

The amortisation of £1.4m (2012/13 (£1.0m)) was charged to the Comprehensive Income and Expenditure Statement in 2013/14.

<b>The movement on Intangible Asset balances during the year is as follows:</b>		
	<b>2012/13</b>	<b>2013/14</b>
	<b>Total Assets</b>	<b>Total Assets</b>
	<b>£m</b>	<b>£m</b>
<b>Balance at start of year:</b>		
Gross carrying amounts	5.0	4.4
Accumulated amortisation	(2.7)	(1.8)
<b>Net Carrying Amount:</b>	<b>2.3</b>	<b>2.6</b>
Additions:		
Purchases	1.2	2.8
Transfers/Reclassifications	0.0	0.2
Other disposals/WOs	(1.8)	0.0
Amortisation for the period	(0.9)	(1.4)
Depreciation on disposals & WOs	1.8	0.0
<b>Net carrying amount at the end of the year</b>	<b>2.6</b>	<b>4.2</b>
Comprising:		
Gross carrying amounts	4.4	7.4
Accumulated amortisation	(1.8)	(3.2)
	<b>2.6</b>	<b>4.2</b>

## 12. Debtors

### Long Term Debtors

Long term debts are those falling due after one year. As at 31st March 2014, the Group's long term debtor balance of £1.8m (£1.9m 2012/13) consisted of outstanding advances made to employees, predominantly those made under the housing scheme.

### Short Term Debtors

Debts outstanding at 31st March 2014 can be analysed as follows:

	31 March 2013 £m	31 March 2014 £m
<b>Short Term Debtors</b>		
Central Government Bodies	5.5	4.0
Other Local Authorities	5.3	6.5
Other	0.4	1.8
<b>SUB TOTAL</b>	<b>11.2</b>	<b>12.3</b>
<b>Payments in Advance</b>		
Other Local Authorities	0.2	0.2
Other	4.9	5.1
<b>SUB TOTAL</b>	<b>5.1</b>	<b>5.3</b>
<b>TOTAL SHORT TERM DEBTORS</b>	<b>16.3</b>	<b>17.6</b>

Payments made in advance as at 31st March 2014 of £5.3m, include £1.9m of pay made to police officers in March 2014 for work undertaken in April 2014, and £2.3m of pension payments paid in advance.

## 13. Cash and Cash Equivalents

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

	As At 31 March 2013 £m	As At 31 March 2014 £m	Movement £m
<b>Analysis of Movement In Cash and Cash Equivalents</b>			
Cash With Accounting Officers	0.2	0.2	0.0
Short-term deposits with Surrey County Council	8.5	26.5	18.0
Cash (Overdraw n) / Surplus	0.6	0.4	(0.2)
<b>Total Cash and Cash Equivalents</b>	<b>9.3</b>	<b>27.1</b>	<b>17.8</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.

## 14. Assets Held for Sale

The movement in Assets Held for Sale is shown below:

	As At 31 March 2013 £m	As At 31 March 2014 £m
<b>Balance outstanding at start of year</b>	5.8	10.8
Assets newly classified as Held for Sale Property, Plant and Equipment	12.8	6.0
Revaluation adjustment	(0.8)	0.0
Assets sold in year	(7.0)	(12.9)
<b>Total assets held at year-end</b>	<b>10.8</b>	<b>3.9</b>

At 31 March 2014 there were 3 police stations and 4 police houses held for sale. During the year 9 police stations and 19 police houses were sold.

## 15. Creditors

### Short Term Creditors

Payments due at 31st March 2014 can be analysed as follows:

	31 March 2013 £m	31 March 2014 £m
<b>Short Term Creditors</b>		
<b>PCC</b>		
Central Government Bodies	4.3	4.2
Other Local Authorities	3.4	7.2
Public Corporations	0.2	0.0
Other	10.5	13.5
Sub Total	18.4	24.9
<b>Receipts in Advance</b>		
<b>PCC</b>		
Central Government Bodies	0.1	0.0
Other Local Authorities	0.0	0.6
Sub Total	0.1	0.6
<b>TOTAL PCC</b>	<b>18.5</b>	<b>25.5</b>
<b>Short Term Creditors</b>		
<b>Chief Constable</b>		
Other	<b>0.0</b>	0.6
<b>TOTAL CHIEF CONSTABLE</b>	<b>0.0</b>	0.6
<b>TOTAL SHORT TERM CREDITORS</b>	<b>18.5</b>	<b>26.1</b>

## 16. Provisions

Provisions held at 31st March 2014 are as follows:

	Balance as at 31 March 2013	Appropriations to/from revenue	Balance as at 31 March 2014
	£m	£m	£m
Icelandic Banks	0.4	(0.3)	0.1
Carbon Reduction	0.1	(0.1)	0.0
<b>Total Provisions</b>	<b>0.5</b>	<b>(0.4)</b>	<b>0.1</b>

### Icelandic Banks

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).

In its meeting of 22 October 2013, the Surrey County Council Cabinet authorised, on SCC's behalf, the Local Government Association (LGA) and its legal representatives to arrange an auction of the SCC's claim for its deposit with Landsbanki (now known as LBI hf) managed by Deutsche Bank. It authorised the Leader or Cabinet Member for Business Services, in consultation with the Chief Finance Officer and the Monitoring Officer, to make a final decision on the sale price and to report back to SCC with an update on the outcome of the auction.

The Local Government Association and its legal representatives commenced negotiations with interested third parties on the SCC's behalf in order to achieve the best possible price. On 30 January 2014, this was confirmed at a level that satisfied the minimum required stipulated by Cabinet proceeds from the sale in the amount of £4.1m (of which £0.3m represents Surrey Police's share of the investment) were received into SCC's bank account on 4th February 2014. This includes an amount of interest due on the investment. It should be noted that £1.6m (£0.1m in respect of Surrey Police's share) relating to the Glitnir Bank remains in an escrow account awaiting repayment and, subject to the final processes of the Icelandic Winding Up Board. On this basis, the provision has been reduced to reflect this.

### Carbon Reduction

The Group participated in Phase 1 (Introductory Phase) of the Carbon Reduction Commitment Scheme. The Scheme is now entering Phase 2 of the Scheme, due to reductions in our use of electricity there is no requirement for the Group to continue to participate and therefore have decided to opt out to save costs.

## 17. Usable Reserves

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

<b>Usable Reserves</b>	<b>As At 31 March 2013 £m</b>	<b>As At 31 March 2014 £m</b>
<b>PCC RESERVES</b>		
General Fund Balance	9.4	11.1
Earmarked Reserves	8.2	8.3
Usable Capital Receipts	2.4	10.8
Capital Grants Unapplied	0.2	0.2
<b>TOTAL FOR PCC</b>	<b>20.2</b>	<b>30.4</b>
<b>CHIEF CONSTABLE RESERVES</b>		
Pension Reserve	(1,472.9)	0.0
<b>TOTAL FOR CHIEF CONSTABLE</b>	<b>(1,472.9)</b>	<b>0.0</b>
<b>Total Usable Reserves</b>	<b>(1,452.7)</b>	<b>30.4</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 7.

### 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 now an unusable reserve in the Group Balance Sheet – see below.

## 18. Unusable reserves

Unusable Reserves	As At 31 March 2013 £m	As At 31 March 2014 £m
<b>PCC RESERVES</b>		
Capital Adjustment Account	90.9	73.6
Revaluation Reserve	9.7	13.7
Collection Fund Adjustment Account	1.0	1.7
Accumulated Absences Account	(0.6)	0.0
<b>TOTAL PCC</b>	<b>101.0</b>	<b>89.0</b>
<b>CHIEF CONSTABLE</b>		
Accumulated Absences Account	0.0	(0.6)
Pension Reserve	0.0	(1,487.2)
<b>TOTAL CHIEF CONSTABLE</b>	<b>0.0</b>	<b>(1,487.8)</b>
<b>Total Unusable Reserves</b>	<b>101.0</b>	<b>(1,398.8)</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.

	2012/13 £m	2013/14 £m
<b>Opening Balance at 1 April</b>	<b>94.7</b>	<b>90.9</b>
Cost of Disposed/Decommissioned Assets	0.0	(10.9)
Gains or Losses on revaluations of non-current assets	0.1	(1.1)
Usable receipts applied	6.1	11.7
Capital grants and contributions applied	1.9	1.5
Revenue resources applied	0.3	0.2
Write down long term debt	(0.3)	(0.1)
Asset Disposals	(6.0)	(10.7)
Depreciation/MRP	(5.9)	(7.9)
<b>Closing Balance at 31 March</b>	<b>90.9</b>	<b>73.6</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.

	2012/13 £m	2013/14 £m
<b>Opening Balance at 1 April</b>	<b>8.9</b>	<b>9.7</b>
Upward revaluation of assets	2.7	7.0
Depreciation	(0.2)	(0.2)
Gains on assets sold	(1.7)	(2.8)
<b>Closing Balance at 31 March</b>	<b>9.7</b>	<b>13.7</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.

	2012/13 £m	2013/14 £m
<b>Opening Balance at 1 April</b>	<b>1.3</b>	<b>1.0</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	(0.3)	0.7
<b>Closing Balance at 31 March</b>	<b>1.0</b>	<b>1.7</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.

	2012/13 £m	2013/14 £m
<b>Opening Balance at 1 April</b>	<b>(0.6)</b>	<b>(0.6)</b>
Settlement or cancellation of accrual made at the end of the preceding year	0.6	0.6
Amounts accrued at the end of the current year	(0.6)	(0.6)
<b>Sub Total</b>	<b>(0.6)</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>(0.6)</b>	<b>(0.6)</b>

### 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). In the 2012/13 Statement of Accounts this reserve was a usable reserve due to the Chief Constable being unable to rely on the provision of the Capital Finance and Accounting Regulations. Legislation has now been passed to remedy this situation and for 2013/14 this reserve has been 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	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m
	2012/13 £m		2013/14 £m					
<b>Opening Balance</b>	<b>(1,160.5)</b>	<b>(21.7)</b>	<b>(1,361.5)</b>	<b>(43.0)</b>	<b>(33.9)</b>	<b>(53.7)</b>	<b>(1,230.8)</b>	<b>(1,472.9)</b>
Actuarial (Losses)/Gains	(155.1)	(10.9)	63.7	7.3	(16.9)	(7.9)	(182.9)	63.1
Appropriation from Revenue Account to offset IAS19 composite items	(86.0)	(10.6)	(92.3)	(16.3)	(10.7)	(15.3)	(107.3)	(123.9)
Appropriation to Revenue Account to reconcile back to taxation requirement	40.1	0.2	39.6	0.1	7.8	6.8	48.1	46.5
<b>Closing Balance</b>	<b>(1,361.5)</b>	<b>(43.0)</b>	<b>(1,350.5)</b>	<b>(51.9)</b>	<b>(53.7)</b>	<b>(70.1)</b>	<b>(1,472.9)</b>	<b>(1,487.2)</b>



## 19. Amounts Reported For Resource Allocation Decisions

2012-2013	Operational £m	Support services £m	Other £m	PCC £m	Total £m
Fees, charges & other service income	(6.6)	(2.7)	(2.7)	0.00	(12.0)
Government grants	(1.4)	(0.0)	(2.4)	(0.1)	(3.9)
<b>Total Income</b>	<b>(8.0)</b>	<b>(2.7)</b>	<b>(5.1)</b>	<b>(0.1)</b>	<b>(15.9)</b>
Employee expenses	131.0	19.0	33.9	0.5	184.3
Other operating expenses	18.0	21.2	(0.5)	0.7	39.4
<b>Total operating expenses</b>	<b>148.9</b>	<b>40.2</b>	<b>33.4</b>	<b>1.2</b>	<b>223.7</b>
<b>Net Cost of Services</b>	<b>141.0</b>	<b>37.5</b>	<b>28.3</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

<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>219.7</b>
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### Reconciliation to Subjective Analysis

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

2013-2014	Operational £m	Support services £m	Other £m	PCC £m	Total £m
Fees, charges & other service income	(5.5)	(2.3)	(2.3)	(0.0)	(10.1)
Government grants	(1.1)	0.00	(1.8)	(0.0)	(2.9)
<b>Total Income</b>	<b>(6.6)</b>	<b>(2.3)</b>	<b>(4.1)</b>	<b>(0.0)</b>	<b>(13.0)</b>
Employee expenses	131.4	19.0	34.0	0.7	185.1
Other operating expenses	15.9	18.8	(0.4)	1.0	35.3
<b>Total operating expenses</b>	<b>147.3</b>	<b>37.8</b>	<b>33.6</b>	<b>1.7</b>	<b>220.4</b>
<b>Net Cost of Services</b>	<b>140.7</b>	<b>35.5</b>	<b>29.5</b>	<b>1.7</b>	<b>207.4</b>

**Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement** £m

Cost of Services in Service Analysis	207.4
Add net expenditure of services & support services not included in main analysis	29.5
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	2.4

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

**239.3**

**Reconciliation to Subjective Analysis**

	Service Analysis £m	Services not in Analysis £m	Not Included in Management Accounts £m	Not included in I&E £m	Net Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges & other service income	(10.1)				(10.1)		(10.1)
Gain on Disposal of Fixed Assets			(0.1)		(0.1)		(0.1)
Interest and investment income				0.1	0.1	(0.1)	0.0
Income from council tax			(2.4)		(2.4)		(2.4)
Government grants and contributions	(2.9)		(0.7)		(3.6)	(220.1)	(223.7)
<b>Total Income</b>	<b>(13.0)</b>	<b>0.0</b>	<b>(3.2)</b>	<b>0.1</b>	<b>(16.1)</b>	<b>(220.2)</b>	<b>(236.3)</b>
Employee expenses	185.1		25.6		210.7	63.7	274.4
Other service expenses	35.3			(0.3)	35.0		35.0
Depreciation, amortisation and impairment				3.0	3.0	3.7	6.7
Precepts & Levies				(0.4)	(0.4)	0.4	0.0
Profit on Disposal of Fixed Assets			7.1		7.1		7.1
<b>Total operating expenses</b>	<b>220.4</b>	<b>0.0</b>	<b>32.7</b>	<b>2.3</b>	<b>255.4</b>	<b>67.8</b>	<b>323.2</b>
<b>Surplus or deficit on the provision of services</b>	<b>207.4</b>	<b>0.0</b>	<b>29.5</b>	<b>2.4</b>	<b>239.3</b>	<b>(152.4)</b>	<b>86.9</b>

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

2012/2013				2013/2014		
Group £m	PCC £m	CC £m		Group £m	PCC £m	CC £m
			<b>EXPENDITURE</b>			
85.1	0.0	85.1	Police Pay, NI and Allow ances	83.7	0.0	83.7
74.2	0.5	73.7	Police Staff Pay, NI, Superannuation & Allow ances	76.8	0.7	76.1
5.5	0.0	5.5	Other Employee Expenditure	6.3	0.0	6.3
<b>164.8</b>	<b>0.5</b>	<b>164.3</b>	<b>Total Employee Expenditure</b>	<b>166.8</b>	<b>0.7</b>	<b>166.1</b>
30.0	0.0	30.0	Net Cost Police Pensions Scheme	39.2	0.0	39.2
8.6	0.0	8.6	Premises	9.3	0.0	9.3
24.4	0.7	23.7	Supplies and Services	24.5	1.0	23.5
5.0	0.0	5.0	Transport	4.7	0.0	4.7
6.7	0.0	6.7	Depreciation	10.6	0.0	10.6
<b>239.5</b>	<b>1.2</b>	<b>238.3</b>	<b>Gross Operating Expenditure</b>	<b>255.1</b>	<b>1.7</b>	<b>253.4</b>
			<b>INCOME</b>			
(16.1)	(16.1)		Grants and Contributions	(12.5)	(12.5)	
0.0	0.0		Sales	0.0	0.0	
(3.1)	(3.1)		Fees and Charges	(2.9)	(2.9)	
(0.6)	(0.6)		Rents	(0.4)	(0.4)	
<b>(19.8)</b>	<b>(19.8)</b>		<b>Total Income</b>	<b>(15.8)</b>	<b>(15.8)</b>	
<b>219.7</b>	<b>(18.6)</b>		<b>Net Cost of Services</b>	<b>239.3</b>	<b>(14.1)</b>	
0.4	0.0	0.4	Levies	0.4	0.0	0.4
<b>0.0</b>	<b>238.7</b>	<b>(238.7)</b>	<b>Intra group adjustment</b>	<b>0.0</b>	<b>239.6</b>	<b>(239.6)</b>
		<b>0.0</b>				<b>14.2</b>
(0.6)	(0.6)		Gain or loss on disposal of non current assets	(7.2)	(7.2)	
0.0	0.0		Exceptional item	10.9	10.9	
(12.9)	(12.9)		Home Office grant payable to the cost of retirement benefits	(12.0)	(12.0)	
0.0	0.0		External Interest Payable	0.0	0.0	
(0.1)	(0.1)		Interest and Investment Income	(0.1)	(0.1)	
59.1	0.0	59.1	Pension interest costs and expected return on pension assets	63.7	0.0	63.7
<b>265.6</b>	<b>206.5</b>	<b>59.1</b>	<b>Net Operating Expenditure</b>	<b>295.0</b>	<b>217.1</b>	<b>77.9</b>
(1.8)	(1.8)		Capital Grants and Contributions	(1.4)	(1.4)	
(65.0)	(65.0)		Police Grants	(69.3)	(69.3)	
(0.7)	(0.7)		Revenue Support Grant	0.0	0.0	
0.0	0.0		Localisation Support Grant	(6.7)	(6.7)	
(35.0)	(35.0)		National Non Domestic Rates	(31.7)	(31.7)	
(102.4)	(102.4)		Precept	(99.0)	(99.0)	
<b>60.7</b>	<b>1.6</b>	<b>59.1</b>	<b>(SURPLUS) OR DEFICIT FOR THE YEAR</b>	<b>86.9</b>	<b>9.0</b>	<b>77.9</b>

## 20. Collaborations

Surrey Police have established a number of significant strategic collaborations and continues to be actively involved with several 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 2013/14 Surrey and Sussex Police have agreed to move to a 'lead force model' for areas of collaboration to gain the maximum benefits, with Surrey taking the lead in Specialist Crime and Sussex for Operations. Areas where collaboration was already in place will be encompassed within this model. In the Support Services area a Joint Procurement & Insurance Service has been established and during 2013/14 the Joint Transport Service to manage the Surrey/Sussex Fleet came into operation. The aligning of systems, policies and processes in HR, Finance and ICT is progressing to enable a combined operating structure to be established in the future.

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

## 21. Leases

As at the 31st March 2014, the Group had the following future obligations in respect of operating leases:

### Vehicles, Plant, Furniture and Equipment

The Group has not entered into any new operating leases for this category during 2013/14. The operating lease for printers/photocopiers is over a five year period ending December 2017, with future obligations payable of £0.5m.

### Land and Buildings

The Group entered into three new operating leases, renewed one and terminated three during 2013/14. For these and existing arrangements held under operating leases during 2013/14 rental payments were £0.8m (2012/13 £0.8m).

### Commitments Under Operating Leases

The Group was committed at 31st March 2014 to making payments of £1.1m under operating leases in 2014/15 comprising the following elements:

	Future lease obligations payable 2014/15 £m	Future lease obligations payable between 2015/16 to 2018/19 £m	Future lease obligations payable 2019/20 Onwards £m
Land and Buildings	0.8	3.1	2.3
Vehicles, Plant and Equipment	0.3	0.5	0.0
<b>Total</b>	<b>1.1</b>	<b>3.6</b>	<b>2.3</b>

### Long Term Liabilities

#### Finance Leases

Equipment - The Group had no leases for equipment under finance lease arrangements during 2013/14.

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

	31 March 2013 NBV £m	31 March 2014 NBV £m
Other Land & Buildings	1.5	1.4
Vehicles, Plant & Equipment	0.1	0.0
<b>Total</b>	<b>1.6</b>	<b>1.4</b>

As at 31st March 2014, the Group was committed to making the following payments in respect of finance leases:

	Obligations payable in 2014/15 £m	Obligations payable between 2015/16 to 2018/19 £m	Obligations payable from 2019/20 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>

## 22. 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, which ends September 2018, 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.

## 23. Joint Audit Committee

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

## 24. Officers' Remuneration

The number of employees (including Police Officers and the PCC) 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 2014. The costs of seconded employees are fully recovered.

Remuneration Band £	2012/13			2013/14		
	Number of Employees	Seconded Employees	Total	Number of Employees	Seconded Employees	Total
<u>Chief Constable</u>						
50,000 - 54,999	108	5	113	101	2	103
55,000 - 59,999	96	2	98	82	1	83
60,000 - 64,999	20	4	24	14	1	15
65,000 - 69,999	7	0	7	11	1	12
70,000 - 74,999	5	0	5	3	0	3
75,000 - 79,999	13	2	15	14	1	15
80,000 - 84,999	6	2	8	6	0	6
85,000 - 89,999	3	0	3	1	0	1
90,000 - 94,999	0	0	0	0	0	0
95,000 - 99,999	0	0	0	1	0	1
100,000 - 104,999	1	1	2	0	0	0
105,000 - 109,999	1	0	1	0	0	0
110,000 - 114,999	0	0	0	0	0	0
115,000 - 119,999	1	0	1	0	0	0
120,000 - 124,999	1	0	1	0	0	0
125,000 - 129,999	0	0	0	0	0	0
130,000 - 134,999	0	0	0	0	0	0
135,000 - 139,999	0	0	0	0	0	0
140,000 - 144,999	0	0	0	0	0	0
145,000 - 149,999	1	0	1	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>263</b>	<b>16</b>	<b>279</b>	<b>234</b>	<b>6</b>	<b>240</b>
<u>PCC</u>						
50,000 - 54,999	1	0	1	2	0	2
75,000 - 79,666	0	0	0	1	0	1
80,000 - 84,999	1	0	1	1	0	1
<b>Total</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>4</b>
<b>Group Total</b>	<b>265</b>	<b>16</b>	<b>281</b>	<b>238</b>	<b>6</b>	<b>244</b>

Remuneration for Senior Officers with a salary between £50,000 and £150,000 with responsibility for the management of Surrey Police were:

Position	Position Start Date	Position End Date	2012/13	2013/2014			
			Salary, Fees & Allowances	Salary, Fees & Allowances	Employers Pension Contribution	Any other emoluments	Total Remuneration
			£	£	£	£	£
Chief Constable-Lynne Owens	01/02/2012		181,536	147,738	33,126	3,420	184,284
Deputy Chief Constable-C Denholm	15/06/2009	02/06/2013	152,359	25,164	4,679	352	30,195
Deputy Chief Constable-N Ephgrave	29/07/2013			79,603	18,492	2,174	100,269
Assistant Chief Constable	22/09/2004	09/09/2013	145,306	50,875	10,982	1,745	63,602
T/Assistant Chief Constable	11/03/2012	09/06/2013	127,739	15,665	3,471	435	19,571
Assistant Chief Constable	20/05/2013			83,858	19,133	2,789	105,780
Assistant Chief Constable (1)	04/10/2013			48,355	11,157	1,578	61,090
Chief Superintendent	23/11/2008		102,907	82,375	19,148	910	102,433
Chief Superintendent	14/10/2007	02/05/2013	106,090	11,742	1,688	347	13,777
Chief Superintendent	24/05/2009		101,060	79,575	19,148	3,194	101,917
Chief Superintendent	07/01/2013		23,124	77,386	18,108	3,653	99,147
Chief Superintendent	07/01/2013		22,923	76,983	18,108	729	95,820
Chief Superintendent	01/04/2010	07/01/2013	104,643				
Chief Superintendent (1)	01/04/2010	03/10/2013	109,905	48,354	11,157	1,578	61,089
Assistant Chief Officer	25/01/2010	11/05/2013	119,659	11,871	1,366		13,237
Assistant Chief Officer	27/08/2013			56,229	6,189		62,418
Head of Corporate Communications	30/04/2013			61,923	6,841		68,764
Head of Corporate Communications	04/10/2011	07/10/2012	31,885				
Head of Human Resources	01/08/2009		83,033	83,325	761		84,086
Head of Finance & Services	01/09/2010		89,823	82,280	9,135		91,415
Head of ICT	24/10/2011	25/10/2013	87,314	44,519	5,041		49,560
<u>PCC</u>							
PCC	22/11/2012		28,416	71,119	8,400		79,519
PCC Deputy	13/12/2012		19,875	55,179	6,450		61,629
PCC Chief Executive	27/09/2010		91,392	86,632	10,152		96,784
PCC Treasurer	09/05/2005		56,499	55,955	4,840		60,795
GROUP TOTAL			1,785,488	1,436,705	247,572	22,904	1,707,181

Note 1-Positions covered by same employee

## 25. Number of exit packages agreed

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

Exit Package cost band  £	2012/13	2012/13	2013/14	2013/14
	Number	Total Cost of Packages £	Number	Total Cost of Packages £
0 - 20,000	15	98,467	47	484,961
20,000 - 40,000	11	331,821	15	405,684
40,000 - 60,000	0	0	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>26</b>	<b>430,288</b>	<b>62</b>	<b>890,645</b>

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

## 26. 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.

### 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 2012/13 £m	New 2012/13 £m	Old 2013/14 £m	New 2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m
<b>Income and Expenditure Account</b>								
<b>Net Cost of Services:</b>								
Current Service Cost	29.9	8.4	34.2	13.4	9.4	11.7	47.7	59.3
Past Service Cost	0.1	0.3	0.2	0.1	0.0	0.4	0.4	0.3
Curtailement and Settlements	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.4
<b>Net Operating Expenditure:</b>								
Interest Cost	56.0	1.9	57.9	2.7	8.8	10.5	66.7	71.1
Interest Income on Plan Assets	0.0	0.0	0.0	0.0	(6.4)	(7.3)	(6.4)	(7.3)
<b>Net charge to the Income and Expenditure Account</b>	<b>86.0</b>	<b>10.6</b>	<b>92.3</b>	<b>16.2</b>	<b>11.9</b>	<b>15.3</b>	<b>108.5</b>	<b>123.8</b>
<b>Statement of Movement on the General Fund Balance</b>								
Reversal of net charges made for retirement benefits in accordance with IAS19	(86.0)	(10.6)	(92.3)	(16.2)	(11.9)	(15.3)	(108.5)	(123.8)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>								
Employers' contributions payable to	0.0	0.0	0.0	0.0	7.8	6.8	7.8	6.8
Retirement benefits payable to pensioners	40.1	0.2	39.6	0.1	3.6	4.4	43.9	44.1

### 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 2012/13 £m	New 2012/13 £m	Old 2013/14 £m	New 2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m
<b>1st April balance b/fwd</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>
Current service cost	(29.9)	(8.4)	(34.2)	(13.4)	(9.4)	(11.7)	(47.7)	(59.3)
Interest cost participants	(56.0)	(1.9)	(57.9)	(2.7)	(8.8)	(10.4)	(66.7)	(71.0)
Actuarial (losses) / gains	0.0	0.0	0.0	0.0	(3.4)	(3.4)	(3.4)	(3.4)
Estimated Unfunded benefits paid	(155.1)	(10.8)	63.7	7.3	(30.3)	(10.4)	(196.2)	60.6
Estimated Benefits paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Past service costs	40.1	0.2	39.6	0.1	3.6	4.4	43.9	44.0
Curtailement and settlements	(0.1)	(0.3)	(0.2)	(0.1)	0.0	0.0	(0.4)	(0.3)
	0.0	0.0	0.0	0.0	(0.1)	(0.4)	(0.1)	(0.4)
<b>31st March balance c/f</b>	<b>(1,349.4)</b>	<b>(55.0)</b>	<b>(1,338.4)</b>	<b>(63.8)</b>	<b>(227.0)</b>	<b>(258.9)</b>	<b>(1,631.4)</b>	<b>(1,661.2)</b>

Reconciliation of Fair Value of the Staff Pension Scheme Assets:

	Local Government Pension Scheme	
	2012/13 £m	2013/14 £m
<b>1st April balance b/fwd</b>	<b>130.0</b>	<b>158.5</b>
Interest Income	6.4	7.3
Remeasurements	14.5	2.4
Employer contributions	7.7	6.8
Contributions in respect of Unfunded Benefits	0.0	0.0
Contributions by scheme participants	3.5	3.4
Unfunded benefits paid	0.0	0.0
Benefits paid	(3.6)	(4.4)
<b>31st March balance c/fwd</b>	<b>158.5</b>	<b>174.0</b>

Scheme history:

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Present value of liabilities:					
Local Government Pension Scheme	(185.9)	(153.8)	(178.6)	(227.0)	(258.9)
Police Pension Scheme:					
Old Scheme	(1,156.5)	(1,059.0)	(1,148.4)	(1,349.4)	(1,338.4)
New Scheme	(15.1)	(20.2)	(33.8)	(55.0)	(63.9)
Fair value of assets:					
Local Government Pension Scheme	106.6	119.9	130.0	158.5	174.0
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(79.3)	(33.9)	(48.6)	(68.5)	(84.9)
Police Pension Scheme:					
Old Scheme	(1,156.5)	(1,059.0)	(1,148.4)	(1,349.4)	(1,338.4)
New Scheme	(15.1)	(20.2)	(33.8)	(55.0)	(63.9)
<b>Total</b>	<b>(1,250.9)</b>	<b>(1,113.1)</b>	<b>(1,230.8)</b>	<b>(1,472.9)</b>	<b>(1,487.2)</b>

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £1,487.2m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,368.4m. 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.

**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 2015 are £9.9m.

Expected contributions for the Police Pension Scheme in the year to 31 March 2015 are £16.0m.

## 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 Local Government Pension Scheme is administered by Surrey County Council. The value of the staff pension scheme is assessed triennially and the employers contribution is increased in line with the actuaries report. The actuaries are Hymans Robertson LLP.

The principal actuarial assumptions used have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2012/13	2013/14	2012/13	2013/14
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity Investments	4.5%	4.3%	-	
Bonds	4.5%	4.3%	-	
Property	4.5%	4.3%	-	
Cash	4.5%	4.3%	-	
Rate of inflation	2.8%	2.9%	2.5%	2.5%
Rate of increase in salaries	5.1%	4.2%	4.8%	4.5%
Rate of increase in pensions	2.8%	2.9%	2.5%	2.5%
Rate for discounting scheme liabilities	4.5%	4.3%	4.3%	4.4%
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
Men	22.5 years		23.4 years	
Women	24.6 years		25.9 years	
Longevity at 65 for future pensioners:				
Men	24.5 years		25.6 years	
Women	26.9 years		28.0 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 of investments as shown below

FAIR VALUE OF PENSION ASSETS	Asset Distribution	Asset Distribution	Asset Distribution	Asset Distribution
	31 March 2013	31 March 2013	31 March 2014	31 March 2014
	£m	%	£m	%
<b>EQUITY SECURITIES</b>				
Consumer	12.6	8%	14.7	8%
Manufacturing	11.3	7%	11.9	7%
Energy and Utilities	6.9	4%	8.5	5%
Financial Institutions	10.1	6%	11.4	7%
Health and Care	5.4	3%	6.4	4%
Information Tecnology	8.4	5%	9.5	5%
<b>DEBT SECURITIES</b>				
Corporate Bonds (Investment Grade)	7.1	4%	6.6	4%
Corporate Bonds (Non Investment Grade)	0.1	0%	0.3	0%
UK Government	4.0	3%	4.0	2%
Other	0.9	1%	1.1	1%
<b>PRIVATE EQUITY</b>	5.6	4%	6.6	4%
<b>REAL ESTATE</b>				
UK Property	5.6	4%	3.7	2%
Overseas Property	1.9	1%	5.9	3%
<b>INVESTMENT FUNDS &amp; UNIT TRUSTS</b>				
Equities	43.7	28%	48.5	28%
Bonds	15.9	10%	15.6	9%
Other	14.9	9%	17.1	10%
<b>DERIVATIVES</b>				
Foreign Exchange	-0.3	0%	0.8	0%
<b>CASH &amp; CASH EQUIVALENTS</b>	4.4	3%	1.4	1%
<b>Total</b>	<b>158.5</b>	<b>100%</b>	<b>174.0</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.

### 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:

	2009/10		2010/11		2011/12		2012/13		2013/14	
	£m	%	£m	%	£m	%	£m	%	£m	%
<b>Local Government Pension Scheme:</b>										
Difference between the expected and actual return on assets	25.5	24.0	1.9	1.6	(6.3)	(4.8)	13.4	175.7	2.5	34.1
Experience gains / (losses) on liabilities	0.0	0.0	(7.9)	5.1	(1.4)	(0.8)	0.2	(0.1)	(4.0)	1.5
<b>Police Pension Scheme:</b>										
Experience gains / (losses) on liabilities	20.5	(1.8)	20.8	(1.9)	(10.8)	(0.9)	38.6	(2.7)	19.6	(1.5)

### 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 £12m, 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

	2012/2013 £m	2013/2014 £m
<b>Contributions Receivable</b>		
From employer:		
Normal	(16.4)	(16.9)
Early retirements	(0.3)	0.0
Other	0.0	0.0
From members	(7.9)	(8.5)
<b>Transfers In</b>		
Individual transfers in from other schemes	(0.4)	(0.3)
Other	0.0	0.0
<b>Benefits Payable:</b>		
Pensions	29.1	30.5
Commutations and lump sum retirement benefits	7.1	6.8
Lump sum death benefits	0.2	0.0
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	1.5	0.4
Other	0.0	0.0
<b>Sub-total for the year before transfer from the Group of amount equal to the deficit</b>	<b>12.9</b>	<b>12.0</b>
<b>Additional funding payable by the Group to fund the deficit for the year</b>	<b>(12.9)</b>	<b>(12.0)</b>
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

<b>NET ASSETS STATEMENT</b>	2012/2013 £m	2013/2014 £m
<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>

## 27. External Audit Costs

	As At 31st March 2013 £m	As At 31st March 2014		
		GROUP	PCC	CC
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.077	0.072	0.052	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>0.077</b>	<b>0.072</b>	<b>0.052</b>	<b>0.020</b>

## 28. 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 8.

The Borough Councils also have some control through their provision of precept income as detailed in note 8.

Employer's pension contributions paid by the Group to the Surrey County Council Pension Fund totalled £6.8m during 2013/2014 (£7.8m in 2012/13).

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.

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

## 29. Contingent Liabilities

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Group at 31st March 2014, they exclude potential costs where the liability is not yet established and the amounts are uncertain. There were no contingent liabilities identified for 2013/14.

## 30. Contingent Assets

There were no contingent assets identified for 2013/14.

## 31. 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 2013 £m	31st March 2014 £m	31st March 2013 £m	31st March 2014 £m
Financial liabilities at amortised cost	0.0		(10.7)	(16.6)
Financial liabilities at fair value through income & expenditure	0.0		0.0	0.0
<b>Total Borrowings</b>	<b>0.0</b>	<b>0.0</b>	<b>(10.7)</b>	<b>(16.6)</b>
Loans and receivables	0.0		17.4	34.9
Financial Assets at fair value through income & expenditure	0.1			0.0
Unquoted equity investment at cost	0.0		0.0	0.0
<b>Total Investments</b>	<b>0.1</b>	<b>0.0</b>	<b>17.4</b>	<b>34.9</b>

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

#### 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 2012/13 or 2013/14. 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.

### 32. Nature and extent of risks arising from Financial Instruments

The Group's activities expose it to a variety of financial risks:

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

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The Head of Finance is responsible for implementing the Group's approved Treasury Management Strategy which specifies the arrangements for specific areas such as interest rate risk, credit risk and the investment of surplus cash.

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

#### Credit and Counterparty Risk

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

The Group's only direct counterparty in relation to treasury management is Surrey County Council. All investments made by Surrey County Council are made in accordance with that Council's investment policies and prevailing legislation and regulations. If the list of counterparties and their time or value limits need to be revised, amendments



are presented to the Surrey County Council Audit & Governance Committee. It is considered that these arrangements minimise the risk in this area.

The maximum exposure to credit risk at the Balance Sheet date was as follows: trade receivables £17.6m (2012/13 £16.3m), and cash and temporary loan investments £27.1m (2012/13 £9.3m). The Group does not have any material exposure to concentrations of credit risk with any single counterparty.

#### Liquidity Risk

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

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

The Group has had sufficient available cash balances to meet its daily requirements and there was no external borrowing outstanding as at 31st March 2014. 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 31st March 2014, the Group had no borrowing outstanding but held £26.5m in variable rate loan investments (2012/13 £8.5m). The increase is due to the sale of a number of Police Stations..

# ACCOUNTING POLICIES

## 1. General Principles

The Accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the U.K. 2013/14, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Service Reporting Code of Practice for Local Authorities 2013/14 (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 2013/14.

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

The Financial Statements included here represent the accounts for the PCC and also those for the PCC Group. The term 'Group' is used to indicate individual transactions and policies of PCC and CC for the year ended 31 March 2014. 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.

## 2. 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 2013/2014.

### **3. 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.

### **4. 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.

### **5. 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.

## 6. 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.

## **7. 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).

## **8. 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 dependent 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.

## **9. 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 no specific accounting policy is required. The assets will, however, be monitored on a regular basis to ensure any substantial changes are recorded.

## **10. 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.

### **11. Inventories**

Inventories are included in the Balance Sheet at cost. The Group's inventory includes items such as 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.

### **12. 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.

### **13. 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.

### **14. 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.

### **15. 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.

## **16. Long-term employee benefits – Pension arrangements**

Surrey Police pension schemes are accounted for under the International Financial Reporting Standard 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 is valued annually.

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, 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 the Chief Constable holds the Contract of Employment for over 99% of police employees, controls terms of employment and makes decision on the overall staffing structures. These costs are included in the Group Account on consolidation.

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 Pension Schemes**

This scheme is un-funded and the employer's contribution is charged to the Comprehensive Income and Expenditure Statement. The scheme is divided into Police Pension Scheme (OPPS), Injury Awards and New Police Pension Scheme (NPPS).

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

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.

### **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.

The attributable assets of the LGPS are measured at their fair value at the Balance Sheet date, quoted securities are valued at bid price and 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.

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 2013/14 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.

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.

## **17. 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.

## **18. Redemption of Debt**

Throughout 2013/2014 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).

## **19. 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.

## **20. 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.

## **21. 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 PCC'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 1st 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.

## **22. 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.

## **23. 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.

## **24. 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 2013/14 Code.

## **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.

# Chief Constable of Surrey

## Statement of Accounts 2013-14



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## CONTENTS

EXPLANATORY FOREWORD.....	4
1. Introduction.....	4
2. The Statement of Accounts.....	4
3. Financial Statements.....	4
4. Financial Arrangements.....	5
5. Employee Pension Schemes.....	5
6. Further Information.....	6
REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS OF THE CHIEF CONSTABLE SURREY.....	7
STATEMENT OF RESPONSIBILITIES.....	9
ANNUAL GOVERNANCE STATEMENT 2013/14.....	10
2013/2014 FINANCIAL STATEMENTS.....	18
Movement in Reserves Statement of the Chief Constable of Surrey.....	18
Comprehensive Income & Expenditure Account of the Chief Constable for Surrey.....	19
Balance Sheet of the Chief Constable for Surrey.....	20
Cash Flow Statement of the Chief Constable for Surrey.....	20
NOTES TO THE ACCOUNTS.....	21
1. Critical Judgements in Applying Accounting Policies.....	21
2. Events After The Balance Sheet Date.....	21
3. Prior Year Adjustments.....	21
4. Exceptional Items.....	21
5. Adjustments between Accounting Basis and Funding Basis under Regulations.....	22
6. Unusable Reserves.....	23
7. Amounts Reported For Resource Allocation Decisions.....	24
8. Collaborations.....	26
9. Joint Audit Committee.....	26
10. Officers' Remuneration.....	27
11. Number of exit packages agreed.....	29
12. Defined Benefit Pension Schemes.....	29
13. External Audit Costs.....	37
14. Related Parties.....	37
ACCOUNTING POLICIES.....	38
1. Accounting Policies.....	38
2. Fundamental Accounting Policies.....	38
3. Income and Expenditure.....	39
4. Overheads and Support Services.....	39
5. Employee Benefits Payable During Employment.....	39



6. Termination Benefits / Exit Packages.....	39
7. Long-term employee benefits - Pension arrangements .....	40
8. VAT .....	41
9. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors .....	41
10. Exceptional Items .....	41
GLOSSARY OF ACCOUNTING TERMS .....	42

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

## **EXPLANATORY FOREWORD**

### **1. Introduction**

The purpose of this foreword is to provide a guide to the most significant matters reported in the 2013/14 Financial Statements for the Chief Constable for Surrey Police. The foreword explains the purpose of the Financial Statements and a summary of the financial activities and the financial position as at 31<sup>st</sup> March 2014.

This is the second year that Financial Statements have been prepared for the Chief Constable following the election of the Police and Crime Commissioner in November 2012 when both the PCC and the Chief Constable were set up as separate corporation sole entities.

The primary function of the entity headed by the Chief Constable is the exercise of operational policing duties under the Police Act 1996. The PCC's function is to hold the Chief Constable to account for the exercise of these duties, thereby securing the maintenance of an efficient and effective police force in Surrey.

This Statement of Accounts includes all the financial transactions incurred during 2013/14 relating to the Chief Constable. The consolidated Group position including the Chief Constable and PCC, have been prepared in a separate Statement of Accounts.

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

The accounting statements, including the Financial Statements, which follow this foreword have been prepared in accordance with the 2013 Code (Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 Based on International Financial Reporting Standards) issued by CIPFA (Chartered Institute of Public Finance & Accountancy).

The financial statements also reflect the Government's intention within The Police Reform and Social Responsibility Act 2011 to phase in the reforms over a number of years. In 2012/13 the assets, liabilities and reserves belonging to the Surrey Police Authority were transferred directly to the PCC and during the first phase of transition have remained under the PCC control with the exception of the Pension Reserve that transferred to the Chief Constable. During this period the PCC receives all income and funding and makes all the payments for the Group from the PCC Fund. In turn the Chief Constable fulfils her functions under the Act within an annual budget (set by the PCC in consultation with the Chief Constable). A scheme of delegation has been in operation between the two bodies determining their respective responsibilities during the first phase. The financial statements for 2013/14 reflect this position.

### **3. Financial Statements**

The financial statement for the Chief Constable under the 2013/14 Code consists of:

- Movement in Reserves Statement. This statement shows the movement in the year on the different reserves held analysed into 'usable reserves' and other reserves.
- Comprehensive Income and Expenditure Statement. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. Expenditure in accordance with regulation is shown in the Movement in Reserves Statement.
- Balance Sheet. This statement shows the assets, liabilities and reserves of the Chief Constable. The Chief Constable manages the Pension and Accumulated Absences Reserves and corresponding liabilities, all other assets and liabilities are held by the PCC.

- **Cash Flow Statement.** This statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. The Chief Constable does not manage any of these transactions and accordingly this statement does not show any figures. Movements of monies are included in the PCC's Statement of Accounts.

The Financial Statements are supported by various notes to the accounts designed to aid the reader. In addition to the Financial Statements, the annual accounts include a Statement of Responsibilities for the Accounts and information on the Police Officer Pension Fund (providing statements for pension fund income and expenditure, assets and liabilities).

An Annual Governance Statement is included within this Statement of Accounts. The statement is a statutory document which explains the governance processes and procedures in place to enable the Chief Constable to carry out functions effectively. Following the Police Reform and Social Responsibility Act 2011 the Chief Constable is required to produce her own Annual Governance Statement each year which must accompany the Statement of Accounts.

## **4. Financial Arrangements**

### **Setting the Budget**

The PCC sets the annual budget for the Group in consultation with the Chief Constable. The PCC Group gross revenue budget (or operating budget) for 2013/14, was set at £207.7m (2012/2013, £208.8m) of which £206.0m was attributed to policing under the direction of the Police Constable for the year, the remaining gross revenue budget being attributed to the cost of administering the PCC.

### **Final Outturn**

Overall the Group expenditure for 2013/14 totalled £207.4m (2012/2013, £207.8m), resulting in a £0.3m underspend being transferred to General Balances. Actual expenditure attributable to policing under the direction of the Chief Constable was £205.7m (2012/2013, £206.7m).

## **5. 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. Although benefits from these schemes will not be payable until an officer or staff member retires, the PCC Group has a future commitment to make these payments and under International Accounting Standard 19 (IAS 19), the PCC Group is required to account for this future commitment based on the full cost at the time of retirement.

The value of the police staff pension scheme is assessed triennially and the employer's contribution is increased in line with the actuary's recommendations. The latest triennial valuation completed in April 2013 has resulted in employer's contributions being increase from 12% to 17.7% with effect from 1<sup>st</sup> April 2014. A specific reserve was set up to offset some of this future increase in costs which is estimated at £3.5m per year.

For the police officers pension fund, the employer's contribution rate is presently set at 24.2%. Under current legislation, any costs that are over or under the employer's contribution are met by the Home Office or returned to them.

## **6. Further Information**

Surrey Police have established a number of significant strategic collaborations and continues to be actively involved with several 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 2013/14 Surrey and Sussex Police agreed to move to a 'lead force model' for areas of collaboration to gain the maximum benefits, with Surrey taking the lead in Specialist Crime and Sussex for Operations. Areas where collaboration was already in place will be encompassed within this model. In the Support Services area a Joint Procurement & Insurance Service has been established and during 2013/14 the Joint Transport Service to manage the Surrey/Sussex Fleet came into operation. The aligning of systems, policies and processes in HR, Finance and ICT is progressing to enable a combined operating structure to be established in the future.

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

Paul Bundy, Chief Finance Officer

**REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS OF THE CHIEF  
CONSTABLE SURREY**



## STATEMENT OF RESPONSIBILITIES

### The Responsibilities of the Chief Constable

The Chief Constable is required:

- To make arrangements for the proper administration of the Force's financial affairs and to ensure that one of its officers (the Chief Financial Officer) 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.

**Lynne Owens**  
**Chief Constable of Surrey Police**

Date:

### The Responsibilities of the Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of the Force's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of Surrey Police at the accounting date and the income and expenditure for the year ended 31 March 2014.

**Paul Bundy**  
**Chief Financial Officer for Surrey Police**

Date:

## **ANNUAL GOVERNANCE STATEMENT 2013/14**

The Chief Constable is 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 2013/14 (Chartered Institute of Public Finance & Accountancy, CIPFA).

This Statement sets out the position as at 1/4/14, including plans for the financial year 2014/15

### **1. Scope of Responsibility**

The Chief Constable of Surrey Police is responsible for the direction and the control of the Force. In discharging her duties, the Chief Constable shall have regard to any recommendations by the Police and Crime Commissioner (PCC) and the Local Police and Crime Plan.

In addition, the Chief Constable has responsibilities where the PCC delegates his functions in respect of securing an efficient and effective police force. In this regard the Chief Constable is responsible for ensuring that the Force's business is conducted in accordance with the law and proper standards, and that the public money is safeguarded, properly accounted for, used economically, efficiently and effectively.

The Chief Constable is also responsible for putting in place proper arrangements for the governance of the Force and for facilitating the exercise of its role, which includes ensuring that arrangements are in place for the management of risk.

The PCC and Chief Constable must both have a suitably qualified Chief Financial Officer (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 Office of Police Crime Commissioner (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 Officer, albeit the CFO continues under this arrangement to have a direct right of access to the Chief Constable on financial matters.

### **2. The Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values through which the Force manages its activities. It enables the Chief Constable to monitor the achievement of Force objectives and to consider whether those objectives have led to the delivery of an appropriate, cost-effective service, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Force's policies, aims and objectives. The system is also designed to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place within Surrey Police for the year ended 31st March 2014 and up to the date of approval of the Annual Statement of Accounts 2013/14.

### **3. The Governance Framework**

The key elements of the Governance Framework include:

#### **3.1 Processes for setting objectives and targets that support the policing priorities outlined in the Police and Crime Plan including reporting to the Office of Police Crime and Commissioner (PCC)**

The Police and Crime Commissioner published his Police and Crime Plan which was subject to refresh in this financial year. He made a decision not to set specific targets in respect of performance rather he detailed six People's Priorities. Surrey Police reports on the progress of delivering the People's Priorities at the public webcast PCC Management Meetings which occur every two months. There are also private scrutiny meetings in the



intervening month. The Chief Constable and other Chief Officer Group members attend these meetings to report on progress, and relevant documents are provided, which are available on the PCC's website.

### **3.2 Decision making structure for establishing priorities and considering strategic issues facing the Force**

The Chief Officer Group (COG) at Surrey Police holds bi-weekly meetings to consider priorities and strategic issues. On-going change programmes and collaboration initiatives with partners are reviewed at the Strategic Change Board. Each COG lead, Chief Superintendent, and Department Head has their own Senior Management Team meeting. The new Crime and Performance Board looks at force crime-based performance, whilst separate boards exist for Workforce Planning, and Victim Care. New meetings have been set up between the Surrey and Sussex Police Deputy Chief Constables (DCC) to consider the collaborative change which is a significant part of our transformation programme. A Strategic Crime and Incident Recording and Risk Group were also established to oversee crime data integrity and risk issues. The Chief Officer teams from Surrey and Sussex Police now meet together to discuss priorities, strategic issues and change across both forces, in Senior Leadership Team meetings.

### **3.3 The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked**

The Force holds a monthly Crime Performance Board which is chaired by the DCC. Key areas of operational performance risk are presented and reviewed by the Board and Chief Superintendents are held to account for performance in their areas of responsibility. Attendees are expected to commit to actions to improve performance. Between each monthly Crime Performance Board a Crime Performance update meeting is held. This again is chaired by the DCC. Performance against Force objectives and aspirations are scrutinised closely using weekly performance data.

Management accounts and the medium term financial plan are published on a monthly basis to Senior Management and COG. In addition, this financial information is also presented at the bi-monthly PCC Management Meetings and to the Police and Crime Panel. The Police and Crime Panel scrutinises the PCC, to promote openness in the transaction of PCC business and also to support the PCC in the effectiveness of his functions.

### **3.4 The risk management processes by which the Force identifies and seeks to mitigate key risks**

The 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 COG is responsible for owning and managing Force risks that are considered 'high risk' and also undertake joint responsibility with the PCC on shared risks. During the first half of the year the Gold Oversight Group (GOG) reviewed all organisational risks and ensured that the control measures are effective and that risks are managed appropriately. This function was completed at the newly formed Strategic Crime and Incident Risk Recording Group (SCIRRG) for the later part of the year. Risks are also reviewed on a monthly basis at Department/Divisional Senior Management Team (SMT) meetings. SMTs are attended by senior staff members who feed in risks from their own units and divisions. Detailed information on risks, their impact, relevant control strategies and action plans are maintained on the Force Risk Management Database.

The SMTs allow Senior Officers and Heads of Departments to perform the following functions at divisional and departmental level across the Force;

- Record risks and proposed control measures on the Force Risk Management Database
- Identify any organisational level risks
- Hold managers to account for the delivery of agreed control measures
- Commission new work as appropriate
- Oversee performance, within the portfolio holder's area of accountability
- Oversee development of high-level business cases
- Overview performance within the portfolio

Risk management is now a standard agenda item for management, business change and project meetings ensuring management responsibilities are directed at managing risk appropriately. In the context of the auditors' report on Siren the Force is reviewing its scrutiny of risk arrangements and has received and accepted proposals from the new Head of Change, for a different approach in the collaborative endeavour.

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

Surrey Police provides guidance on standards of conduct which is available to staff at all levels. The Force has in place Codes of Conduct for police staff and Standards of Professional Behaviour for police officers, with policies & procedures in support of this. Managers and supervisors at all levels of the Force are expected to set an example and to challenge any behaviour that does not meet this standard and to clearly communicate the Force's values, standards, expectations and priorities.

The College of Policing has published the Code of Ethics which is to be laid before Parliament during the summer of 2014 to become a National Code of Practice. This sets out the principles and standards of behaviour that will promote reinforce and support the highest standards from everyone who works in policing. The Force is developing an implementation plan so that the Code of Ethics can be embedded into what we do.

An anti-fraud and anti-corruption policy is in place that incorporates "Anonymous Contact", a confidential and independent web based reporting system. This system enables a dialogue to be conducted with the informer without breaching the anonymity of that person. The Professional Standards Department (PSD) publishes strand and IPCC reports, detailing the results and lessons learned for complaints and investigations to further provide guidance to all employees.

The Force also has 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 to the Section 151 Officer, in line with Financial Regulations.

### **3.6 Reviewing and updating standing orders, standing financial instruction, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes**

The Service Quality Department is responsible for carrying out reviews of specific business areas, as directed by COG/SCIRRG. The team reviews best practice or areas for improvement, with the aim of improving organisational performance and developing more effective guidance. These reviews can cover specific issues based on policy or procedures, in-depth inspections in a particular part of the Force or any other area that requires attention. Reviews during this financial year have included Management of Crime, Custody Post Implementation Review, pre-inspection reviews for Domestic Abuse and Child Protection, policy reviews for Speeding and Redlight, as well as Information Sharing and evaluations for Youth Restorative Intervention and Risk Intervention Team Pilot.

The Policy unit oversees policy, procedures and guidance in all areas except guidance for Finance and HR which is held within the People Solutions system. The unit maintains the Force's 'Policies and Procedures Database'. All procedure manuals and guidance documents are available within it and are accessible by all officers and staff at all times.

All procedures are assigned an owner and dates for review to ensure that they are all reviewed and updated regularly and the Policy Unit manages this process to ensure that updates are completed.

Single Points of Contact (SPOC) have been identified for business areas, being held responsible for all policies and procedures within their interest area. Documents should not be produced without their authorisation. This change in process has seen a reduction in bureaucracy and changes to more proportionate authority levels, reducing the numbers of documents and forms.

Any new or significantly updated policy or procedure is subjected to consultation with all the SPOCs to ensure that the document is clear, relevant and necessary and that any wider implications of the new policy or procedure are considered.

Once the consultation is completed and any issues addressed, the policy or procedure is published. When any policy is added or updated to the database it is included within the weekly Routine Orders bulletin which is sent to all staff via the email system.

### **3.7 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Force ensures it maintains compliance with all statutory and other Government requirements.

The Police and Criminal Evidence Act 1984 (PACE) and accompanying Codes of Practice (and subsequent amendments) provide the core framework of police powers and safeguards around stop and search, arrest, detention, investigation, identification and interviewing detainees.

The Force's Criminal Justice team is responsible for keeping the Force up to date with respect to legislative changes. The Force Policy and Procedure Team are responsible for producing the appropriate policies. The Criminal Justice Team also provides professional support and guidance to custody centres and criminal justice administration units.

To ensure compliance with the relevant laws, regulations and policies, portfolio heads are required to ensure that all relevant control systems within their area of responsibility are operating effectively.

The Joint Procurement Board within Support Services oversees all procurement activity for contracts in excess of £50,000 (goods and services) and all consultancy agreements of any value conducted on behalf of the PCC. The regulations that govern the expenditure activity are those determined by European and UK Law, together with those set out within the Contract Standing Orders for expenditure below EU tendering thresholds.

The Procurement Team maintains and publishes on the internal Surrey Police intranet a Procurement Guide and supporting documents which are reviewed every two years to ensure they remain relevant, achievable and promote best value.

The Procurement Team maintains a contract register for all agreements that it awards to ensure they are managed throughout their contract term including end of life reviews.

### **3.8 Processes for receiving and investigating complaints from the public, and citizens and other redress, and providing reports to the Office of Police Crime and Commissioner**

The Force has in place procedures for dealing with complaints from any individual or authority which detail how a complaint should be handled from start to finish, including recording of the complaint and contact with the complainant. All complaints under the Police Reform Act and Direction and Control complaints are dealt with by the Professional Standards Department (PSD). Complaints made via a third party are also referred to PSD. All complaint handling is in accordance with the Independent Police Complaints Commissions (IPCC) Statutory Guidance 2010, pursuant to Section 22 Police Reform Act 2002.

PSD personnel meet daily to review all new complaints and to agree appropriate action. Where complaints are suitable for local resolution they are forwarded to either the relevant senior local manager or remain within PSD, serious complaints are retained and investigated by PSD or referred to the IPCC if required under IPCC guidelines. At the conclusion of each complaint a lessons learnt form is completed and disseminated to the relevant division or department. This enables the Force to identify areas for improvement and in particular whatever additional training is required.

A quarterly report detailing the Force's performance in respect of complaints and misconduct is provided to the PCC.

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.

### **3.9 Determining the conditions of employment and remuneration of officers and staff, within the appropriate national frameworks**

Surrey Police maintains an open and fair process of determining the conditions and remuneration for police officers and staff. Police officer remuneration is negotiated on a national basis through the Home Office, whilst police staff remuneration is negotiated locally with UNISON at the pay negotiations board.

For all police staff roles, HAY job evaluation is used to ensure that Surrey Police has a pay structure which complies with the principles of equal pay for work of equal value.

All guidance and policies on employment terms and conditions are available to all staff via the People Solutions Knowledge Base, and are kept up to date to reflect any legislative changes or operational requirements. Any amendments are subject to the Force-wide consultation process, the police bureaucracy gateway and the policy and procedure working group, before being implemented.

### **3.10 Identifying the developmental needs of officers and staff in relation to their roles, supported by appropriate training and linked to the priorities of the Force**

Surrey Police has in place policies and procedures for the appropriate training and development of all employees which are supported by the Support Services business plan 2014-2015 and the Learning and Development Strategy 2014-2015.

The Force Learning and Development department is based at headquarters with staff also located at Reigate, Guildford and Staines and is responsible for the initial probationary training of all police officers. It also provides thematic training in investigations, information technology, driving skills, first aid and leadership for officers and staff. The department's consultants are the link to stakeholders who follow agreed processes to prioritise training in conjunction with strategic business need and forecast capability gaps via the force workforce planning and performance board so that the training provided directly links to the values and priorities of the organisation.

The structure and scope of the Learning and Development Department has undergone a transformation programme to support our efficiency drive and to enable staff to provide the most effective support for the business and aims to deliver updated technology, a rationalised range of products in line with the new College of Policing mandated curriculum and development of a workplace coaching culture to drive performance. The department is now in the process of implementing transformation into business as usual and will include all training budgets being centralised and overseen by Learning and Development, training programmes being reviewed to provide a more blended approach to training with a desire to reduce classroom delivery. Surrey will also be working with Sussex Learning and Development to collaborate on training. This process is yet to commence however there are key training programmes that we are already collaborating on. Planning and capability are reviewed on a monthly basis via the workforce planning and performance board.

In the past year, the training focus has been on supporting the roll out of the Niche IT system, the introduction of a programme of training aligned to the police officer induction programme to support the special constabulary, critical incident management refresher training for senior ranks, a new leadership programme delivered using an external supplier, for the core leadership elements and supported by role based operational modules.

Improvements in regional and multi-agency collaborative projects are continuing to produce a greater understanding of best practice and a reduction in cost.

All Surrey Police staff undergo an annual Performance and Development Review (PDR). All PDRs are tailored to individual staff and are based on the activities considered key to their roles as per the Professional Policing Framework. The PDR assesses an individual's performance against the levels of competence.

Comprehensive guidance and policy on all aspects of training and personal development as well as up to date listings of all training courses is available to all employees via the online People Solutions Knowledge base and the L&D intranet pages are being reviewed and amended to bring them in line with corporate design.

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

Neighbourhood Policing remains the bedrock of Surrey Police engagement with local communities with informal and formal strategies to receive and respond, to feedback on local priorities. The PCC's People's Priorities include giving the public the opportunity to have a greater say in how your streets are policed. The Force is supporting this through a range of engagement ranging from personal contact at community meetings through to social media engagement. The Force is reviewing its engagement strategy to ensure it can be as effective as possible. The current strategy, as part of the Neighbourhood Policing Handbook, is designed to provide a citizen-focused service built on informed public choice with direct public influence over neighbourhood priorities and deployment decisions.

Surrey Police has continued to develop how it communicates with Surrey's public over the course of the last year. In addition to the personal contact with officers, traditional communication channels through local broadcast and print media have continued to be used, with an increased focus on providing proactive news about Surrey Police's operations and services rather than just responding to inquiries from the media, in order to keep the public informed and confident in the services Surrey Police is providing.

Social and digital media use has been growing during the year with increased numbers of people following and engaging with Surrey Police through the corporate and local Twitter and Facebook pages, amongst other digital channels, with corresponding 24 hour effort being put into ensuring this direct communication with the public is maximised wherever possible. Surrey Police's work in this area was recognised when it won the prestigious Grand Prix prize at the national SocialBuzz awards for its social media engagement.

Core force priorities have been supported through communication support to operational activity in relation to marketing campaigns for amongst other things domestic abuse, safe use of the roads, and burglary - the first two being multi-agency campaigns. To continue to use communication budgets in the most effective way campaigns are being planned collaboratively with Sussex Police and other regional partners for the year ahead.

Communications is focused on supporting operational activity and priorities, including supporting urgent operational activity with appeals and the providing information to the public, reassuring the public that crimes are being tackled and offenders brought to justice or the provision of crime prevention or deterrent advice. This all supports Surrey Police continuing to place a strong emphasis on its operational policing and developing safe and confident neighbourhoods in Surrey, with the Force recognising the critical importance of effective community engagement to achieve this.

### **3.12 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**

Throughout 2013/14 Surrey Police has continued to progress its ambitions around co-location with other statutory partners which benefits from faster information flow and skills sharing. The partnerships have benefited from a county-wide programme of problem solving and information sharing training which has been joint funded and permits key partners to communicate on these important issues in a 'common language'.

From a police perspective we form and maintain our partnerships using our force values, which are openly shared with other agencies, as a non-negotiable measurement to inform and direct our partnership working activities.

The force has signed up to the PCC's key priorities which are also hugely impactful in the wider community safety landscape in Surrey. They are:

- Take a zero-tolerance approach to policing in Surrey
- Deliver more visible street policing
- Put victims at the centre of the criminal justice system
- Give you more opportunities to have your say about policing
- Protect local policing, standing up for officers and promoting the highest standards of service

At County level the Chief Constable sits on the Community Safety Partnership (chaired by the PCC) and the Health and Well Being Board. She also leads the 999 collaboration across the two counties reporting into the County Transformation Programme.

## **4. Review of Effectiveness**

The Treasurer, in conjunction with the CFO, is responsible for advising on and implementing effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. The review of effectiveness is informed by all senior managers, such as the Heads of Profession (including the CFO), and Divisional Commanders, signing an Annual Management Assurance Statement. In so doing, managers are confirming that – to the best of their knowledge – they are satisfied that controls have been operating effectively during the year across their areas of responsibility and that there are no control breakdowns of which they are aware. In addition, comments made by both the Internal and the External Auditors and other review agencies and inspectorates inform this review.

#### **4.1 Performance Management**

As described in 3.3 above, operational performance is reviewed monthly at Crime Performance Board meetings which are attended by senior leaders within the Force.

The Force Analysis Unit facilitates the promotion of a performance culture throughout the Force. It provides guidance to support decision making across the Force whilst also ensuring all statutory management information requirements are met. The department has also worked closely with Chief Officers and the PCC to ensure that the Force is able to assess its performance in a coherent and responsible way.

#### **4.2 Joint Audit Committee**

The Joint Audit Committee is 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 help 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.

#### **4.3 Risk Management**

COG oversees the Force risk management process, see section 3.4 above. The risk management process is subject to scrutiny by Internal and External Audit and the Joint Audit Committee.

#### **4.4 Professional Standards**

The Professional Standards Department (PSD) exists primarily to deal with complaints against police officers and police staff by members of the public. It also has a responsibility to the Force and the wider police service to minimise exposure to corruption on which it reports to the Deputy Chief Constable.

In order to minimise exposure to corruption, PSD contains a vetting unit that operates in line with the requirements of the ACPO National Vetting Policy.

PSD periodically carries out strategic assessments of its intelligence capacity, in line with the National Intelligence Model. (See p.3.5 above).

#### **4.5 Internal Audit**

In August 2013, our internal auditors RSM Tenon were acquired by Baker Tilly, who now perform the internal audit function for both the OPCC and the Chief Constable. The firm operates in accordance with the International Internal Auditing Standards Board of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, 2006 and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Internal Auditors worked in line with an annual internal audit plan for 2013/14, which was approved by the Joint Audit Committee.

The CIPFA code requires Internal Audit to provide an opinion on the overall adequacy and effectiveness of the governance framework. That opinion is provided below and is based on the work undertaken by the Internal Auditors in 2013/14 completed in line with the Audit Plan referred to above.

#### **Internal Audit opinion**

For the 12 months ended 31 March 2014, based on the work we have undertaken, there are adequate arrangements in place for governance, risk management and control.

#### **The Basis of the Opinion**

**Governance** – A Review of the Annual Governance Statements was carried out as part of the 2013/14 plan. This review was advisory and therefore no formal opinion was given. However, no significant weaknesses were noted and only three low priority recommendations raised. In addition we have reviewed governance arrangements as part of other assurance work provided, including monitoring and reporting to the most appropriate committee and ensuring content of reporting is sufficient and provides the necessary information for decision making.

**Risk Management** – We completed a review of Risk Management as part of our 2013/14 internal audit work. This review resulted in a Green opinion. However, as the risk management framework had recently been amended, whilst we could confirm the design was appropriate we were only able to complete limited testing regarding compliance with the new risk management arrangement.

Control - We completed seven 'control' reviews which resulted in one green opinion, five amber/green opinion and one amber/red opinion for Business Interests. The follow up work reported adequate progress against completion of the recommendations raised. In addition, advisory work was completed regarding the Stage 2 Transfer and Commissioning – Victim Support.

#### **4.6 Other explicit review/inspection mechanisms**

Surrey Police have three specific gateway meetings which have and will continue to commission internal audit and reviews. These are:

- The Crime and Performance Board, which identify necessary quick time reviews and/or audits in accordance with performance needs
- The Strategic Crime and Incident Recording Group, which audits and/or reviews crime and data integrity
- Strategic Risk and Learning Group (formally known as the Gold Oversight Group), which looks at Force Risks including operational, critical incidents and Issues and specific targeted reviews around these are commissioned here. Surrey Police also advocate the use of independent inspections where appropriate and have engaged with other Forces, the College of Policing as well as the Information Commissioners Office to provide independent reviews over the last year.

Surrey Police is reviewed on an ongoing basis by Her Majesty's Inspectorate of Constabulary (HMIC), who independently assesses police forces and policing across activity from neighbourhood teams to serious crime and the fight against terrorism.

#### **5. Significant Governance Issues**

There continues to be a national drive for Police Forces and other public sector organisations to develop new ways of delivering services with collaboration being seen as a key enabler to meet this. Surrey Police is working with Sussex Police as their preferred partner. The governance arrangements to support an expanded ambition for further collaboration between the two forces is being progressed by both PCCs and Forces Chief Officers with a aim for a future of working as one, operationally and organisationally, to enhance and improve services for the public whilst reducing costs and representing local needs.

During the year the Force returned to a model of three geographic areas with locally based Senior Management Teams, and also moved to a 'lead force model' for collaborated areas. These changes were designed to give greater leadership clarity, local visibility and presence. The geographic areas were implemented in October 2013 prior to the force structure being in place which resulted in a risk being identified with regards to reporting financial information for the new divisions. During this period of implementation monthly financial reports were still reviewed and published albeit on a force-wide basis.

The current financial environment, with year on year police grant reductions, is resulting in an enormous amount of change in the police force. This ranges from nationally imposed changes to the force reconfiguring itself to operate within its financial resources whilst maintaining a quality service delivery to the Surrey residents.

During the year, internal audit made two 'high' recommendations, one in relation to Community Safety Fund Partners and one concerning Business Interests. There is still one outstanding 'high' recommendation from 2012/13 in respect of Surrey Police's disaster recovery procedures. Progress against these recommendations is monitored by COG and the Joint Audit Committee.

In February 2014 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 is addressing this recommendation by providing guidance and contacting individuals failing to follow this finance process.

**Lynne Owens**

Chief Constable

Date:

**Paul Bundy**

Chief Financial Officer

Date:

## 2013/2014 FINANCIAL STATEMENTS

### Movement in Reserves Statement of the Chief Constable of Surrey

	General Reserve £m	Capital Grants Unapplied £m	Capital Receipts Reserve £m	Useable Pension Reserve	Total Useable Reserves £m	Unusable Reserves £m	Total Reserves £m
<b>Balance at 1 April 2012</b>	0.0	0.0	0.0	(1,230.8)	(1,230.8)	0.0	(1,230.8)
Surplus or (deficit) on provision of services	(59.1)	0.0	0.0	0.0	(59.1)	0.0	(59.1)
Other Comprehensive Expenditure and Income		0.0	0.0	(183.0)	(183.0)	0.0	(183.0)
<b>Total Comprehensive Expenditure and Income</b>	(59.1)	0.0	0.0	(183.0)	(242.1)	0.0	(242.1)
Adjustments between accounting basis & funding basis under regulations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	(59.1)	0.0	0.0	(183.0)	(242.1)	0.0	(242.1)
Transfers to / from Earmarked Reserves	59.1	0.0	0.0	(59.1)	0.0	0.0	0.0
<b>Increase / Decrease in Year</b>	0.0	0.0	0.0	(242.1)	(242.1)	0.0	(242.1)
<b>Balance at 31 March 2013</b>	0.0	0.0	0.0	(1,472.9)	(1,472.9)	0.0	(1,472.9)
Surplus or (deficit) on provision of services	(77.9)	0.0	0.0	0.0	(77.9)	63.1	(14.8)
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Comprehensive Expenditure and Income</b>	(77.9)	0.0	0.0	0.0	(77.9)	63.1	(14.8)
Adjustments between accounting basis & funding basis under regulations	77.9	0.0	0.0	0.0	77.9	(78.0)	(0.1)
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	0.0	0.0	0.0	0.0	0.0	(14.9)	(14.9)
Transfers to / from Reserves	0.0	0.0	0.0	1,472.9	1,472.9	(1,472.9)	0.0
<b>Increase / Decrease in Year</b>	0.0	0.0	0.0	1,472.9	1,472.9	(1,487.8)	(14.9)
<b>Balance at 31 March 2014</b>	0.0	0.0	0.0	0.0	0.0	(1,487.8)	(1,487.8)



## Comprehensive Income & Expenditure Account of the Chief Constable for Surrey

	March 2013 £m	March 2014 £m
<b>Financial resources of the PCC consumed at the request of the CC</b>		
Local Policing	82.0	81.7
Dealing with the Public	20.9	24.6
Criminal Justice Arrangements	17.1	18.1
Roads Policing	10.5	11.2
Specialist Operations	12.5	10.7
Intelligence	22.7	20.2
Specialist Investigations	59.5	73.6
Investigative Support	7.4	8.2
National Policing	4.5	3.8
Non Distributed Costs	0.6	0.7
Corporate and Democratic Core	0.6	0.6
Levies	0.4	0.4
<b>Financial resources consumed</b>	<b>238.7</b>	<b>253.8</b>
<b>Intra-group adjustment</b>	<b>(238.7)</b>	<b>(239.6)</b>
<b>Net Cost of Policing Services</b>	<b>0.0</b>	<b>14.2</b>
<b>Financing and Investment Income and Expenditure</b>		
Pension Interest Cost	59.1	63.7
<b>(Surplus) or Deficit on Provision of Services</b>	<b>59.1</b>	<b>77.9</b>
Actuarial gains/losses on pension assets/liabilities	183.0	(63.1)
	<b>183.0</b>	<b>(63.1)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>242.1</b>	<b>14.8</b>

## Balance Sheet of the Chief Constable for Surrey

March 2013 £m		Notes	March 2014 £m
0.0	Long Term Assets		0.0
<b>0.0</b>	<b>Total Long Term Assets</b>		<b>0.0</b>
0.0	Current Assets		0.0
<b>0.0</b>	<b>Total Current Assets</b>		<b>0.0</b>
0.0	Current Liabilities		(0.6)
<b>0.0</b>	<b>Total Current Liabilities</b>		<b>(0.6)</b>
(1,472.9)	Long Term Liabilities		(1,487.2)
<b>(1,472.9)</b>	<b>Total Long Term Liabilities</b>		<b>(1,487.2)</b>
<b>(1,472.9)</b>	<b>Net Assets</b>		<b>(1,487.8)</b>
	<b>Financed by:</b>		
(1,472.9)	Usable Reserves		0.0
	<b>Unusable Reserves</b>	6	
0.0	Accumulated Absences		(0.6)
0.0	Pension Reserve		(1,487.2)
<b>(1,472.9)</b>			<b>(1,487.8)</b>

An amendment to the Police and Social Responsibility Act 2011 permits the Chief Constable to apply local government regulation, resulting in the Pension Reserve being an unusable reserve in the March 2014 Balance Sheet.

## Cash Flow Statement of the Chief Constable for Surrey

	Notes	March 2013 £m	March 2014 £m
<b>Net (surplus) or deficit on the provision of services</b>		<b>0.0</b>	<b>0.0</b>
Adjustments to net (surplus) or deficit on the provision of services for Non Cash Movements		0.0	0.0
Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities		0.0	0.0
<b>Net cash flows from operating activities</b>		<b>0.0</b>	<b>0.0</b>
Investing activities		0.0	0.0
Financing activities		0.0	0.0
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>0.0</b>	<b>0.0</b>
Cash and cash equivalents at the beginning of the period		<b>0.0</b>	<b>0.0</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>0.0</b>	<b>0.0</b>

This table reflects nil transactions as all cash is managed by the Police and Crime Commissioner.

## **NOTES TO THE ACCOUNTS**

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

The preparation of the financial statements requires judgements, estimates and assumptions to be made that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors, the results of which form that basis of making judgements about the values of expenditure amounts that are not readily apparent from other sources. The estimates and assumptions are reviewed on an on-going basis. The judgements made by the PCC can be seen in the PCC Group accounts, those relevant to the Chief Constable's financial statements 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.
- Working capital – the PCC controls the treasury management function and all bank accounts, therefore all working capital balances (cash, current debtors and currently liabilities) are recognised in the PCC's Balance Sheet
- Pensions – the PCC has to determine whether items should be recognised in the PCC or Chief Constable accounts. The decision for the Pension Reserve to be recognised in the Chief Constable accounts was 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.
- Accumulated absences - the PCC has to determine whether the leave accrual should be accounted for in the PCC or Chief Constables accounts. As the majority of employee costs are accounted for the in Chief Constables accounts the leave accrual has been accordingly matched and accounted for on the Chief Constables Balance Sheet.
- Transition – the PCC has accounted for the transition to two 'corporation sole' bodies, under FRS 6 'Acquisitions and Mergers' in 2013/14.

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

The audited Statement of Accounts were approved by the Chief Constable on xx September 2014. Where events taking place before this date provide information about conditions existing at 31 March 2014, the figures in the financial statements and Notes have been adjusted in all material respects to reflect the impact of this information.

The Chief Constable has no post balance sheet events to report for the period up to 30 September 2014.

### **3. Prior Year Adjustments**

The Chief Constable has no prior year adjustments to report for the year ended 31st March 2014.

### **4. Exceptional Items**

The Chief Constable has no exceptional items to report for the year ended 31st March 2014.

## 5. 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 Chief Constable in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Chief Constable to meet future capital and revenue expenditure.

2013/2014	General Fund Balance  £m	Total Usable Reserves  £m	Pension Reserve  £m	Accumulated Absences Reserve  £m	Total Unusable Reserves  £m
<b>Reversal of items included in the Comprehensive Income and Expenditure Statement:</b>					
Net charges made for retirement benefits in accordance with IAS19	(123.8)	(123.8)	123.8		123.8
Short term employee benefits	(0.6)	(0.6)		0.6	0.6
<b>Addition of items excluded from the Comprehensive Income and Expenditure Statement:</b>					
Employer's contribution payable to the Pensions Account and retirement payable direct to pensioners	46.5	46.5	(46.5)		(46.5)
<b>Net additional amount required to be (credited) / debited to the General Fund balance for the year</b>	<b>(77.9)</b>	<b>(77.9)</b>	<b>77.3</b>	<b>0.6</b>	<b>77.9</b>

## 6. Unusable Reserves

Unusable Reserves	As At 31 March 2013 £m	As At 31 March 2014 £m
Accumulated Absences Account	0.0	(0.6)
Pension Reserve	0.0	(1,487.2)
<b>Total Unusable Reserves</b>	<b>0.0</b>	<b>(1,487.8)</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.

	2012/13 £m	2013/14 £m
<b>Opening Balance at 1 April</b>	<b>(0.6)</b>	<b>(0.6)</b>
Settlement or cancellation of accrual made at the end of the preceding year	0.6	0.6
Amounts accrued at the end of the current year	(0.6)	(0.6)
<b>Sub Total</b>	<b>(0.6)</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>(0.6)</b>	<b>(0.6)</b>

### Pension Reserve

The pension reserve is an accounting reserve that equals the total pension liability (Police Officers and Police Staff). In the 2012/13 Statement of Accounts this reserve was a usable reserve due to the Chief Constable being unable to rely on the provision of the Capital Finance and Accounting Regulations. Legislation has now been passed to remedy this situation and for 2013/14 this reserve has been classified as unusable.

	Police Pension				Local Government Pension Scheme		Total	
	Old	New	Old	New				
	2012/13 £m	£m	2013/14 £m	£m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m
<b>Opening Balance</b>	<b>(1,160.5)</b>	<b>(21.7)</b>	<b>(1,361.5)</b>	<b>(43.0)</b>	<b>(33.9)</b>	<b>(53.7)</b>	<b>(1,230.8)</b>	<b>(1,472.9)</b>
Actuarial (Losses)/Gains	(155.1)	(10.9)	63.7	7.3	(16.9)	(7.9)	(182.9)	63.1
Appropriation from Revenue Account to offset IAS19 composite items	(86.0)	(10.6)	(92.3)	(16.3)	(10.7)	(15.3)	(107.3)	(123.9)
Appropriation to Revenue Account to reconcile back to taxation requirement	40.1	0.2	39.6	0.1	7.8	6.8	48.1	46.5
<b>Closing Balance</b>	<b>(1,361.5)</b>	<b>(43.0)</b>	<b>(1,350.5)</b>	<b>(51.9)</b>	<b>(53.7)</b>	<b>(70.1)</b>	<b>(1,472.9)</b>	<b>(1,487.2)</b>

## 7. Amounts Reported For Resource Allocation Decisions

2012-13	Operational £m	Support services £m	Other £m	Total for CC £m	PCC £m	Total £m
Fees, charges & other service income	(6.6)	(2.7)	(2.7)	(12.0)	0.0	(12.0)
Government grants	(1.4)	(0.0)	(2.4)	(3.8)	(0.1)	(3.9)
<b>Total Income</b>	<b>(8.0)</b>	<b>(2.7)</b>	<b>(5.1)</b>	<b>(15.8)</b>	<b>(0.1)</b>	<b>(15.9)</b>
Employee expenses	131.0	18.9	33.9	183.8	0.5	184.3
Other operating expenses	18.0	21.2	(0.5)	38.7	0.7	39.4
<b>Total operating expenses</b>	<b>149.0</b>	<b>40.1</b>	<b>33.4</b>	<b>222.5</b>	<b>1.2</b>	<b>223.7</b>
<b>Net Cost of Services</b>	<b>141.0</b>	<b>37.4</b>	<b>28.3</b>	<b>206.7</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	206.7
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

<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>
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<b>218.6</b>
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### Reconciliation to Subjective Analysis

	Service Analysis £m	Services not in Analysis £m	Not Included in Management Accounts £m	Not included in I&E £m	Net Cost of Services £m	Amount attributable to CC £m	Pensions £m	Intra Group Funding £m	Total £m
Fees, charges & other service income	(12.0)		(2.2)		(14.2)	18.6			4.4
Gain on Disposal of Fixed Assets					0.0				0.0
Interest and investment income				0.1	0.1				0.1
Income from council tax					0.0				0.0
Government grants and contributions	(3.8)	(4.4)		12.9	4.7	(0.1)			4.6
Intra Group Funding								(238.7)	(238.7)
<b>Total Income</b>	<b>(15.8)</b>	<b>(4.4)</b>	<b>(2.2)</b>	<b>13.0</b>	<b>(9.4)</b>	<b>18.5</b>	<b>0.0</b>	<b>(238.7)</b>	<b>(229.6)</b>
Employee expenses	183.8		0.1		183.9	0.5	59.1		243.5
Other service expenses	38.7			(0.2)	38.5	0.7			39.2
Depreciation, amortisation and impairment		6.1		(0.7)	5.4				5.4
Precepts & Levies				(0.4)	(0.4)	0.4			0.0
Loss on Disposal of Fixed Assets				0.6	0.6	0.0			0.6
<b>Total operating expenses</b>	<b>222.5</b>	<b>6.1</b>	<b>0.1</b>	<b>(0.7)</b>	<b>228.0</b>	<b>1.6</b>	<b>59.1</b>	<b>0.0</b>	<b>288.7</b>
<b>Surplus or deficit on the provision of services</b>	<b>206.7</b>	<b>1.7</b>	<b>(2.1)</b>	<b>12.3</b>	<b>218.6</b>	<b>20.1</b>	<b>59.1</b>	<b>(238.7)</b>	<b>59.1</b>

2013-2014	Operational £m	Support services £m	Other £m	Total for CC £m	PCC £m	Total £m
Fees, charges & other service income	(5.5)	(2.3)	(2.3)	(10.1)	(0.0)	(10.1)
Government grants	(1.1)	(0.0)	(1.8)	(2.9)	(0.0)	(2.9)
<b>Total Income</b>	<b>(6.6)</b>	<b>(2.3)</b>	<b>(4.1)</b>	<b>(13.0)</b>	<b>(0.0)</b>	<b>(13.0)</b>
Employee expenses	131.4	19.0	34.0	184.4	0.7	185.1
Other operating expenses	15.9	18.8	(0.4)	34.3	1.0	35.3
<b>Total operating expenses</b>	<b>147.3</b>	<b>37.8</b>	<b>33.6</b>	<b>218.7</b>	<b>1.7</b>	<b>220.4</b>
<b>Net Cost of Services</b>	<b>140.7</b>	<b>35.5</b>	<b>29.5</b>	<b>205.7</b>	<b>1.7</b>	<b>207.4</b>

**Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement** £m

Cost of Services in Service Analysis 205.7

Add net expenditure of services & support services not included in main analysis 29.5

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 2.4

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

**237.6**

**Reconciliation to Subjective Analysis**

	Service Analysis £m	Services not in Analysis £m	Not included in Management Accounts £m	Not included in I&E £m	Net Cost of Services £m	Amount attributable to CC £m	Pensions £m	Intra Group Funding £m	Total £m
Fees, charges & other service income	(10.1)		(0.1)		(10.2)	14.1			3.9
Gain on Disposal of Fixed Assets				0.1	0.0	0.0			0.0
Interest and investment income					0.1	0.0			0.1
Income from council tax			(2.5)		(2.5)	0.0			(2.5)
Government grants and contributions	(2.9)		(0.7)		(3.6)	0.0			(3.6)
Intra Group Funding								(239.6)	(239.6)
<b>Total Income</b>	<b>(13.0)</b>	<b>0.0</b>	<b>(3.3)</b>	<b>0.1</b>	<b>(16.2)</b>	<b>14.1</b>	<b>0.0</b>	<b>(239.6)</b>	<b>(241.7)</b>
Employee expenses	184.1		25.7		209.8	0.7	63.7		274.2
Other service expenses	34.6			(0.3)	34.3	1.0			35.3
Depreciation, amortisation and impairment				3.0	3.0	0.0			3.0
Precepts & Levies				(0.4)	(0.4)	0.4			0.0
Profit on Disposal of Fixed Assets			7.1		7.1	0.0			7.1
<b>Total operating expenses</b>	<b>218.7</b>	<b>0.0</b>	<b>32.8</b>	<b>2.3</b>	<b>253.8</b>	<b>2.1</b>	<b>63.7</b>	<b>0.0</b>	<b>319.6</b>
<b>Surplus or deficit on the provision of services</b>	<b>205.7</b>	<b>0.0</b>	<b>29.5</b>	<b>2.4</b>	<b>237.6</b>	<b>16.2</b>	<b>63.7</b>	<b>(239.6)</b>	<b>77.9</b>

## Subjective Expenditure Analysis

	2012/2013 £m	2013/2014 £m
<b>Financial Resources of the PCC consumed at the request of the CC</b>		
Police Pay, NI and Allowances	85.1	83.7
Police Staff Pay, NI, Superannuation & Allowances	73.7	76.1
Other Employee Expenditure	5.5	6.3
<b>Total Employee Expenditure</b>	<b>164.3</b>	<b>166.1</b>
Net Cost Police Pensions Scheme	30.0	39.2
Premises	8.6	9.3
Supplies and Services	23.7	23.5
Transport	5.0	4.7
Depreciation	6.7	10.6
Levies	0.4	0.4
<b>Total financial resources of the PCC consumed at the request of the CC</b>	<b>238.7</b>	<b>253.8</b>
Intra-group adjustment	<b>(238.7)</b>	<b>(239.6)</b>
<b>Net cost of Policing Services</b>	<b>0.0</b>	<b>14.2</b>
<b>Financing and Investment Income and Expenditure</b>		
Pension Interest Cost and Expected Return on Assets	59.1	63.7
<b>(Surplus) or Deficit on Provision of Services</b>	<b>59.1</b>	<b>77.9</b>

### 8. Collaborations

Surrey Police have established a number of significant strategic collaborations and continues to be actively involved with several 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 2013/14 Surrey and Sussex Police agreed to move to a 'lead force model' for areas of collaboration to gain the maximum benefits, with Surrey taking the lead in Specialist Crime and Sussex for Operations. Areas where collaboration was already in place will be encompassed within this model. In the Support Services area a Joint Procurement & Insurance Service has been established and during 2013/14 the Joint Transport Service to manage the Surrey/Sussex Fleet came into operation. The aligning of systems, policies and processes in HR, Finance and ICT is progressing to enable a combined operating structure to be established in the future.

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

### 9. Joint Audit Committee

Under the governance arrangements for policing, the Chief Constable and the PCC have a Joint Audit Committee to provide independent and effective assurance about the adequacy of financial management and reporting.

Members' Allowances for the Joint Audit Committee are:

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



## 10. Officers' Remuneration

The number of employees (including Police Officers) 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.

Employees included as seconded were on secondment to other agencies as at 31 March 2014. The costs of seconded employees are fully recovered.

Remuneration Band £	2012/13			2013/14		
	Number of Employees	Seconded Employees	Total	Number of Employees	Seconded Employees	Total
<u>Chief Constable</u>						
50,000 - 54,999	108	5	113	101	2	103
55,000 - 59,999	96	2	98	82	1	83
60,000 - 64,999	20	4	24	14	1	15
65,000 - 69,999	7	0	7	11	1	12
70,000 - 74,999	5	0	5	3	0	3
75,000 - 79,999	13	2	15	14	1	15
80,000 - 84,999	6	2	8	6	0	6
85,000 - 89,999	3	0	3	1	0	1
90,000 - 94,999	0	0	0	0	0	0
95,000 - 99,999	0	0	0	1	0	1
100,000 - 104,999	1	1	2	0	0	0
105,000 - 109,999	1	0	1	0	0	0
110,000 - 114,999	0	0	0	0	0	0
115,000 - 119,999	1	0	1	0	0	0
120,000 - 124,999	1	0	1	0	0	0
125,000 - 129,999	0	0	0	0	0	0
130,000 - 134,999	0	0	0	0	0	0
135,000 - 139,999	0	0	0	0	0	0
140,000 - 144,999	0	0	0	0	0	0
145,000 - 149,999	1	0	1	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>263</b>	<b>16</b>	<b>279</b>	<b>234</b>	<b>6</b>	<b>240</b>

Remuneration for Senior Officers with a salary between £50,000 and £150,000 with responsibility for the management of Surrey Police were:							
Position	Position Start Date	Position End Date	2012/13	2013/2014			
			Salary, Fees & Allowances £	Salary, Fees & Allowances £	Employers Pension Contribution £	Any other emoluments £	Total Remuneration £
Chief Constable-Lynne Owens	01/02/2012		181,536	147,738	33,126	3,420	184,284
Deputy Chief Constable-C Denholm	15/06/2009	02/06/2013	152,359	25,164	4,679	352	30,195
Deputy Chief Constable-N Ephgrave	29/07/2013			79,603	18,492	2,174	100,269
Assistant Chief Constable	22/09/2004	09/09/2013	145,306	50,875	10,982	1,745	63,602
T/Assistant Chief Constable	11/03/2012	09/06/2013	127,739	15,665	3,471	435	19,571
Assistant Chief Constable	20/05/2013			83,858	19,133	2,789	105,780
Assistant Chief Constable (1)	04/10/2013			48,355	11,157	1,578	61,090
Chief Superintendent	23/11/2008		102,907	82,375	19,148	910	102,433
Chief Superintendent	14/10/2007	02/05/2013	106,090	11,742	1,688	347	13,777
Chief Superintendent	24/05/2009		101,060	79,575	19,148	3,194	101,917
Chief Superintendent	07/01/2013		23,124	77,386	18,108	3,653	99,147
Chief Superintendent	07/01/2013		22,923	76,983	18,108	729	95,820
Chief Superintendent	01/04/2010	07/01/2013	104,643				
Chief Superintendent (1)	01/04/2010	03/10/2013	109,905	48,354	11,157	1,578	61,089
Assistant Chief Officer	25/01/2010	11/05/2013	119,659	11,871	1,366		13,237
Assistant Chief Officer	27/08/2013			56,229	6,189		62,418
Head of Corporate Communications	30/04/2013			61,923	6,841		68,764
Head of Corporate Communications	04/10/2011	07/10/2012	31,885				
Head of Human Resources	01/08/2009		83,033	83,325	761		84,086
Head of Finance & Services	01/09/2010		89,823	82,280	9,135		91,415
Head of ICT	24/10/2011	25/10/2013	87,314	44,519	5,041		49,560
TOTALS			1,589,306	1,167,820	217,730	22,904	1,408,454

Note

1-Positions covered by same employee

## 11. Number of exit packages agreed

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

Exit Package cost band  £	2012/13	2012/13	2013/14	2013/14
	Number	Total Cost of Packages £	Number	Total Cost of Packages £
0 - 20,000	15	98,467	47	484,961
20,000 - 40,000	11	331,821	15	405,684
40,000 - 60,000	0	0	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>26</b>	<b>430,288</b>	<b>62</b>	<b>890,645</b>

## 12. Defined Benefit Pension Schemes

### Pension Arrangements

Retirement benefits are offered as part of the terms and conditions of employment.

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 is no investment assets built up to meet the pension liabilities and payments as they fall due. The regulations require that if the pension fund does not have enough funds to meet the cost of pensions in any year, the amount required to meet the deficit must be transferred from the Group to the pension fund. Subject to Parliamentary scrutiny and approval, up to 100% of this amount is then recouped by the Group in the form of a top-up grant paid by central Government. Conversely, if the police pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Group, which in turn is required to pay the amount to central Government.

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. In accordance with IAS 19 requirements, the amount includes current and past service costs, curtailments and settlements, together with the gains/losses on the police injury pension. The current service cost and valuation of the Schemes as at 31 March 2014 have been produced by actuaries. The following transactions reflect the total charges in the Chief Constables Comprehensive Income and Expenditure Statement.

## Transactions relating to Retirement Benefits

	Police Pension Scheme				Local Government Pension Scheme		Total	
	Old 2012/13 £m	New 2012/13 £m	Old 2013/14 £m	New 2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m
<b>Income and Expenditure Account</b>								
<b>Net Cost of Services:</b>								
Current Service Cost	29.9	8.4	34.2	13.4	9.4	11.7	47.7	59.3
Past Service Cost	0.1	0.3	0.2	0.1	0.0	0.4	0.4	0.3
Curtailement and Settlements	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.4
<b>Net Operating Expenditure:</b>								
Interest Cost	56.0	1.9	57.9	2.7	8.8	10.5	66.7	71.1
Interest Income on Plan Assets	0.0	0.0	0.0	0.0	(6.4)	(7.3)	(6.4)	(7.3)
<b>Net charge to the Income and Expenditure Account</b>	<b>86.0</b>	<b>10.6</b>	<b>92.3</b>	<b>16.2</b>	<b>11.9</b>	<b>15.3</b>	<b>108.5</b>	<b>123.8</b>
<b>Statement of Movement on the General Fund Balance</b>								
Reversal of net charges made for retirement benefits in accordance with IAS19	(86.0)	(10.6)	(92.3)	(16.2)	(11.9)	(15.3)	(108.5)	(123.8)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>								
Employers' contributions payable to	0.0	0.0	0.0	0.0	7.8	6.8	7.8	6.8
Retirement benefits payable to pensioners	40.1	0.2	39.6	0.1	3.6	4.4	43.9	44.1

## Assets and liabilities in relation to retirement benefits

	Unfunded Liabilities: Police Pension Scheme				Funded Liabilities: Local Government Pension Scheme		Total	
	Old	New	Old	New	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m
	2012/13		2013/14					
	£m	£m	£m	£m				
<b>1st April balance b/fwd</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>
Current service cost	(29.9)	(8.4)	(34.2)	(13.4)	(9.4)	(11.7)	(47.7)	(59.3)
Interest cost	(56.0)	(1.9)	(57.9)	(2.7)	(8.8)	(10.4)	(66.7)	(71.0)
participants	0.0	0.0	0.0	0.0	(3.4)	(3.4)	(3.4)	(3.4)
Actuarial (losses) / gains	(155.1)	(10.8)	63.7	7.3	(30.3)	(10.4)	(196.2)	60.6
Estimated Unfunded benefits paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Benefits paid	40.1	0.2	39.6	0.1	3.6	4.4	43.9	44.0
Past service costs	(0.1)	(0.3)	(0.2)	(0.1)	0.0	0.0	(0.4)	(0.3)
Curtailment and settlements	0.0	0.0	0.0	0.0	(0.1)	(0.4)	(0.1)	(0.4)
<b>31st March balance c/f</b>	<b>(1,349.4)</b>	<b>(55.0)</b>	<b>(1,338.4)</b>	<b>(63.8)</b>	<b>(227.0)</b>	<b>(258.9)</b>	<b>(1,631.4)</b>	<b>(1,661.2)</b>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2012/13	2013/14
	£m	£m
<b>1st April balance b/fwd</b>	<b>130.0</b>	<b>158.5</b>
Interest Income	6.4	7.3
Remeasurements	14.5	2.4
Employer contributions	7.7	6.8
Contributions in respect of Unfunded Benefits	0.0	0.0
Contributions by scheme participants	3.5	3.4
Unfunded benefits paid	0.0	0.0
Benefits paid	(3.6)	(4.4)
<b>31st March balance c/fwd</b>	<b>158.5</b>	<b>174.0</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.

Scheme history:

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Present value of liabilities:					
Local Government Pension Scheme	(185.9)	(153.8)	(178.6)	(227.0)	(258.9)
Police Pension Scheme:					
Old Scheme	(1,156.5)	(1,059.0)	(1,148.4)	(1,349.4)	(1,338.4)
New Scheme	(15.1)	(20.2)	(33.8)	(55.0)	(63.9)
Fair value of assets:					
Local Government Pension Scheme	106.6	119.9	130.0	158.5	174.0
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(79.3)	(33.9)	(48.6)	(68.5)	(84.9)
Police Pension Scheme:					
Old Scheme	(1,156.5)	(1,059.0)	(1,148.4)	(1,349.4)	(1,338.4)
New Scheme	(15.1)	(20.2)	(33.8)	(55.0)	(63.9)
<b>Total</b>	<b>(1,250.9)</b>	<b>(1,113.1)</b>	<b>(1,230.8)</b>	<b>(1,472.9)</b>	<b>(1,487.2)</b>

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £1,487.2m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,368.4m. 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.

### Expected Future Contributions

The total contributions expected to be made to the Local Government Pension Scheme by the PCC in the year to 31 March 2015 are £9.9m. Expected contributions for the Police Pension Scheme in the year to 31 March 2015 are £16.0m.

### 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 Pension 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 Local Government Pension Scheme is administered by Surrey County Council. The value of the Staff Pension Scheme is assessed triennially and the employers contribution is increased in line with the actuaries report. The actuaries are Hymans Robertson LLP.

The principal actuarial assumptions used have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2012/13	2013/14	2012/13	2013/14
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity Investments	4.5%	4.3%	-	
Bonds	4.5%	4.3%	-	
Property	4.5%	4.3%	-	
Cash	4.5%	4.3%	-	
Rate of inflation	2.8%	2.9%	2.5%	2.5%
Rate of increase in salaries	5.1%	4.2%	4.8%	4.5%
Rate of increase in pensions	2.8%	2.9%	2.5%	2.5%
Rate for discounting scheme liabilities	4.5%	4.3%	4.3%	4.4%
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
Men	22.5 years		23.4 years	
Women	24.6 years		25.9 years	
Longevity at 65 for future pensioners:				
Men	24.5 years		25.6 years	
Women	26.9 years		28.0 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:

FAIR VALUE OF PENSION ASSETS	Asset Distribution	Asset Distribution	Asset Distribution	Asset Distribution
	31 March 2013	31 March 2013	31 March 2014	31 March 2014
	£m	%	£m	%
<b>EQUITY SECURITIES</b>				
Consumer	12.6	8%	14.7	8%
Manufacturing	11.3	7%	11.9	7%
Energy and Utilities	6.9	4%	8.5	5%
Financial Institutions	10.1	6%	11.4	7%
Health and Care	5.4	3%	6.4	4%
Information Tecnology	8.4	5%	9.5	5%
<b>DEBT SECURITIES</b>				
Corporate Bonds (Investment Grade)	7.1	4%	6.6	4%
Corporate Bonds (Non Investment Grade)	0.1	0%	0.3	0%
UK Government	4.0	3%	4.0	2%
Other	0.9	1%	1.1	1%
<b>PRIVATE EQUITY</b>	5.6	4%	6.6	4%
<b>REAL ESTATE</b>				
UK Property	5.6	4%	3.7	2%
Overseas Property	1.9	1%	5.9	3%
<b>INVESTMENT FUNDS &amp; UNIT TRUSTS</b>				
Equities	43.7	28%	48.5	28%
Bonds	15.9	10%	15.6	9%
Other	14.9	9%	17.1	10%
<b>DERIVATIVES</b>				
Foreign Exchange	-0.3	0%	0.8	0%
<b>CASH &amp; CASH EQUIVALENTS</b>	4.4	3%	1.4	1%
<b>Total</b>	<b>158.5</b>	<b>100%</b>	<b>174.0</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 2014 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.



## 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.

	2009/10		2010/11		2011/12		2012/13		2013/14	
	£m	%	£m	%	£m	%	£m	%	£m	%
<b>Local Government Pension Scheme:</b>										
Difference between the expected and actual return on assets	25.5	24.0	1.9	1.6	(6.3)	(4.8)	13.4	175.7	2.5	34.1
Experience gains / (losses) on liabilities	0.0	0.0	(7.9)	5.1	(1.4)	(0.8)	0.2	(0.1)	(4.0)	1.5
<b>Police Pension Scheme:</b>										
Experience gains / (losses) on liabilities	20.5	(1.8)	20.8	(1.9)	(10.8)	(0.9)	38.6	(2.7)	19.6	(1.5)

## Financing of Police Pensions

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

The in-year cost of police pensions is financed with the contributions from police officers (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 Income and Expenditure Account funded by the Home Office. Conversely, if there is a surplus this would be transferred to the Income and Expenditure Account for repayment to the Home Office.

The Pension Fund Account, shown below, shows a deficit of £12.0m, 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.

SURREY POLICE PENSION FUND ACCOUNT

	2012/2013 £m	2013/2014 £m
<b>Contributions Receivable</b>		
From employer:		
Normal	(16.4)	(16.9)
Early retirements	(0.3)	0.0
Other	0.0	0.0
From members	(7.9)	(8.5)
<b>Transfers In</b>		
Individual transfers in from other schemes	(0.4)	(0.3)
Other	0.0	0.0
<b>Benefits Payable:</b>		
Pensions	29.1	30.5
Commutations and lump sum retirement benefits	7.1	6.8
Lump sum death benefits	0.2	0.0
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	1.5	0.4
Other	0.0	0.0
<b>Sub-total for the year before transfer from the Group of amount equal to the deficit</b>	<b>12.9</b>	<b>12.0</b>
<b>Additional funding payable by the Group to fund the deficit for the year</b>	<b>(12.9)</b>	<b>(12.0)</b>
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

<b>NET ASSETS STATEMENT</b>	2012/2013 £m	2013/2014 £m
<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>

### 13. External Audit Costs

	As At 31st March 2013 £m	As At 31st March 2014		
		GROUP	PCC	CC
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.077	0.072	0.052	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>0.077</b>	<b>0.072</b>	<b>0.052</b>	<b>0.020</b>

### 14. Related Parties

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 the 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.

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

Central government has some control as it is responsible for providing the statutory framework and provides the majority of the funding to the PCC who in turn funds the Chief Constable's expenditure. The value of grants received is shown in the Group Income and Expenditure Account.

The Borough Councils also have some control through their provision of precept income as detailed in the Group Accounts.

Employer's pension contributions paid by the Group to the Surrey County Council Pension Fund totalled £6.8m during 2013/2014 (£7.8m in 2012/13).

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.

## **ACCOUNTING POLICIES**

### **1. Accounting Policies**

The Accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the U.K. 2013/14, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Service Reporting Code of Practice for Local Authorities 2013/14 (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 2013/14.

The accounting policies also reflect the powers and responsibilities of the Chief Constable of Surrey as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. The accounts cover the 12 months to 31 March 2014.

The Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 allows the same provisions of the Local Government Act 2003 for financial arrangements to apply in relation to the chief constable as they apply in relation to a local authority.

### **2. 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 Chief Constable will operate for the foreseeable future. This means in particular that the Comprehensive Income & 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 Force'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 – Chief Constables derive their powers from statute and their 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. These accounting entries are included in the Group Accounts

The following sections set out the Chief Constable's general accounting policies, which have been followed in 2013/2014.

### **3. Income and Expenditure**

All expenditure is paid for by the PCC including the wages of police staff and officers, and no actual cash transaction or events take place between the two entities. Costs are however recognised within the Chief Constables' Accounts to reflect financial resources consumed.

The accounts reflect the normal accruals concept whereby costs for services are included in the year to which they relate.

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.

### **4. 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.

### **5. 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. This reversal and corresponding reserve are included in the PCC and Group Accounts.

### **6. Termination Benefits / Exit Packages**

Termination benefits are amounts payable as a result of a decision by the Chief Constable 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 & Expenditure Statement when the Chief Constable 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. The movement in Reserves appropriations are reflected in the Group Accounts.

## **7. Long-term employee benefits - Pension arrangements**

Surrey Police pension schemes are accounted for under the International Financial Reporting Standard 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 is valued annually.

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, 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 the Chief Constable holds the Contract of Employment for over 99% of police employees, controls terms of employment and makes decision on the overall staffing structures. These costs are included in the Group Account on consolidation.

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 Pension Schemes**

This scheme is un-funded and the employer's contribution is charged to the Comprehensive Income and Expenditure Statement. The scheme is divided into Police Pension Scheme (OPPS), Injury Awards and New Police Pension Scheme (NPPS).

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

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.

### **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.

The attributable assets of the LGPS are measured at their fair value at the Balance Sheet date, quoted securities are valued at bid price and 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.

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 2013/14 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.

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.

## **8. VAT**

The Chief Constable does not submit a VAT return and the PCC submits a single VAT return on behalf of the Group. Expenditure in the Chief Constable's Comprehensive Income & Expenditure Statement excludes any amounts relating to VAT as all VAT is remitted to/from the HM Revenue and Customs.

## **9. 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 Chief Constable'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.

## **10. 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 Chief Constable'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.

## **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.

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

The main revenue fund of the CC showing accounting costs for the 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.

### **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.

### **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 CC 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 or CC.

**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 CC operates.

**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.

**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.

**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.

**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.

**REVENUE SUPPORT GRANT**

Central Government grant supporting the cost of public services.

**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.