



THE CHIEF CONSTABLE OF SURREY

DRAFT

Statement of Accounts for the year 2022/23

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Narrative Report

1. Introduction

The purpose of this narrative report is to provide a guide to the most significant matters reported in the 2022/23 Financial Statements for the Chief Constable for Surrey. The narrative report explains the purpose of the Financial Statements, a summary of the financial activities and the financial position as at 31 March 2023

Surrey is a county in the South East of England, covering 644 square-miles, with one county council, 11 boroughs/districts and 6 major hospitals with A&E departments. It has 62 miles of motorway, including the busiest M25 stretch. Surrey's rivers include the Thames which is a notable flooding risk and 73% of the county is classified as greenbelt. Surrey borders the UK's busiest two airports. It is the most densely populated county in South East England with a population of 1.2 million. The resident population is increased significantly by university students and the large numbers who visit, socialise in, or travel through the area each year. The Olympic legacy increased the sporting footprint, with national cycling competitions and Epsom Derby which is the country's largest one-day sporting event attracting over 100,000 racegoers each year.

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

Adapting to the Future

These accounts are the first published covering a period entirely outside of restrictions resulting from the Covid-19 pandemic. Nonetheless, the effects of the pandemic continue to be felt and the police service, and Surrey Police in particular, faces a range of challenges; the impact of the pandemic on the mental health of the public and wellbeing of staff, changes to working practices and societal expectations, financial pressures on the Force and our partners with the cost of living crisis impacting our communities and colleagues, the rapid growth in officer numbers resulting in a relatively inexperienced workforce, and challenges to public confidence in policing following a number of high-profile scandals.

Inflationary pressures over the past year have affected the organisation, our communities and our colleagues, and the Force is particularly mindful of the effect of increases in the cost of living on our staff, with a number of welfare initiatives in place to assist them. The pressures have also affected the Force's ability to attract and retain staff in an increasingly competitive market, which has led to unusually high vacancy rates in some departments.

Surrey Police has an estimated funding gap of approximately £15.7m over the next 4 years. The Force has savings plans in place for 2023/24 and, with Sussex Police, has worked with PA Consulting to conduct a thorough review of its operating model over future years. This work has now led to the creation of the Joint Force Change (JFC) programme, with a clear set of working principles:

1. To address the funding gap
2. To deliver against the Force's priorities, and the priorities of its communities
3. To maintain the Force's identity
4. To deliver change and benefits in a sustainable and adaptive manner.

The scale of change will be significant, likely requiring new processes and ICT systems to support any changes, and the Force does not underestimate the challenge.

At the same time, Surrey Police has continued to recruit police officers, throughout the period of these accounts, to meet its Op Uplift growth; an increase in size not seen in Surrey since changes to the boundary between Surrey and the MPS in 2000. While a welcome investment, the focus purely on growth in officer numbers limits options for savings and, together with the recruitment needed to account for increased attrition as the labour market is increasingly buoyant, means that Surrey Police has an exceptionally high proportion of officers that are young in service. The Force has invested in coaching units for both uniformed and detective entrants and has also focussed its leadership training at sergeant level, conscious that many new supervisors will also be relatively young in service.

The Force set out its strategy as Our Commitments to our Communities, our Force, and our People in September 2020 and, throughout the period of these accounts, has followed this strategy to address these challenges, improve its service, and ensure that Surrey is a county that is safe and feels safe.

The Force has strong ambitions to be an organisation that is well equipped for future challenges and responsibilities; that is an inclusive, rewarding and energetic place to work; and that is determined to keep Surrey safe and feeling safe.



Our Commitments 2020/25

Be safe, feel safe.

To ensure Surrey is a county
that is safe, and feels safe.

Our Force



Prevention

- ✓ We will proactively tackle the causes of crime and disorder.
- ✓ We will spot problems early; acting promptly to make a difference, and avoiding quick fixes that don't last.
- ✓ All of our staff will use the same problem solving approach.

Partnership

- ✓ We will work with everyone who can help make our communities safer.
- ✓ We will continue to invest in the strength of our partnerships with Sussex Police and the region.
- ✓ Through trusted relationships, we will solve the problems that cause people most harm, and be judged on our outcomes.

Potential

- ✓ We will become a more diverse organisation in order to be better at what we do.
- ✓ We will invest in technology to get the very best out of our information.
- ✓ We will all take responsibility to protect the environment for future generations.

Our communities



Prevent crime

- ✓ We will be proactive in dealing with local issues.
- ✓ We will ensure every community has local officers tackling local problems.
- ✓ We will help communities protect themselves from harm.

Protect our communities

- ✓ We will work with others to help the vulnerable.
- ✓ We will respond effectively to help people in crisis.
- ✓ We will protect communities from crimes and incidents that cause the most harm.

Pursue offenders

- ✓ We will put victims first, and complete high quality investigations to bring more offenders to justice.
- ✓ We will target serious, harmful and persistent offenders; particularly those who prey on the vulnerable.
- ✓ We will minimise the number of known offenders at large in our communities.

Our people



Professional

- ✓ We will trust each other to do the right thing to give outstanding service.
- ✓ We will expect high standards and ethical behaviour.
- ✓ We will challenge ourselves, and each other, to innovate, learn and improve.

Proud

- ✓ We will take pride in our service to the public.
- ✓ We will work as a team, making the most of people's talents.
- ✓ We will celebrate our achievements.

Inclusive

- ✓ We will be kind, friendly, inclusive, and support our police families.
- ✓ We will respect, and reflect, the differences in communities we serve.
- ✓ We will value, and learn from, the different perspectives and experiences of others.

The Police and Crime Commissioner

The Primary function of the PCC is to secure the maintenance of an efficient and effective police force in Surrey, and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996.

The PCC is responsible for the finances of the whole Group and controls all assets, liabilities and reserves. The PCC incurs costs relating to the Office of the Police and Crime Commissioner (OPCC) and receives all income and funding and makes all the payments for the Group from the overall Police Fund. In turn the Chief Constable of Surrey fulfils his functions under the Act within an annual budget (set by the PCC in consultation with the Chief Constable). A Scheme of Consent is in operation between the two bodies determining their respective responsibilities, as well as local arrangements in respect of the use of The PCC's assets and staff.

Accounting Arrangements

Each Public Body has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. They must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

This Statement of Accounts includes all the financial transactions incurred during 2021/22 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 Financial Statements for 2022/23, which follow this narrative report have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 Based on International Financial Reporting Standards) issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and comprise of:

Comprehensive Income and Expenditure Statement (CIES)

The CIES consolidates all income, expenditure, gains and losses experienced during the financial year. This includes all day-to-day expenses and related income prepared on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year. The PCC raises taxation to cover expenditure in accordance with specific rules as to how tax rates are set in relation to the income and expenses of the Group. This means the expenditure covered by local taxation (funding basis) may be different to the full accounting cost recorded in the CIES (accounting basis). The adjustments between the funding basis and accounting basis are shown in the Movement in Reserves Statement (MIRS).

Movement in Reserves Statement (MIRS)

The Movement in Reserves Statement (MIRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It shows the movement in year on the different reserves, analysed into 'useable' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

Balance Sheet

This shows the value the assets and liabilities held by the Chief Constable as at 31 March for the current and prior years. The net liabilities (assets less liabilities) are matched by the total reserves.

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 the net cash impact is £Nil in these accounts. Movements of monies are included in the PCC's Statement of Accounts and only the net deficit on the provision of services and adjustments for non-cash movements are included in the Chief Constables cash flow statement.

Notes to the Accounts.

These provide additional information to support the figures included in the financial statements and are designed to aid the reader. They comprise significant accounting policies and other explanatory information.

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).

Governance

The accounts are subject to detailed review by an independent external auditor. The audit provides assurance that the accounts provide a true and fair view of the financial position, are prepared correctly, that proper accounting practices have been followed and that arrangements have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

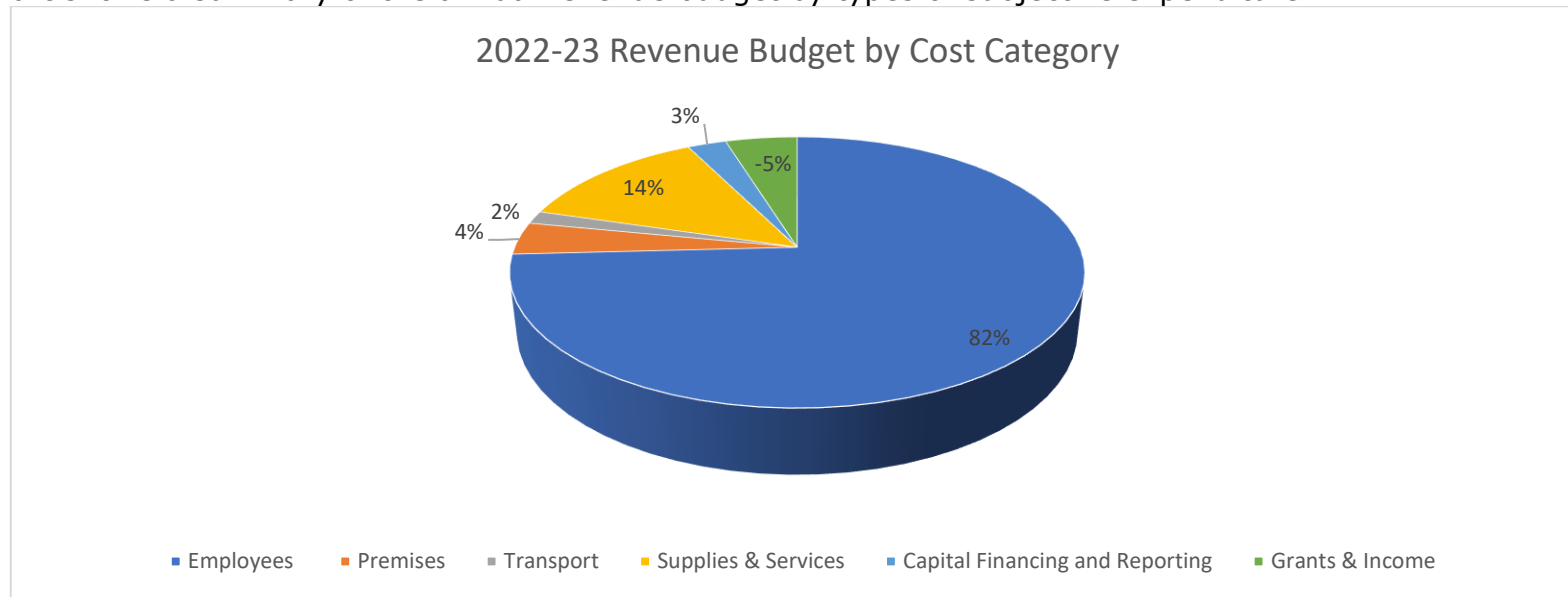
The Accounts and Audit (England) Regulations 2015 require that the Annual Governance Statement (AGS) should accompany the Statement of Accounts. The Chief Constable's AGS is included within this Statement of Accounts and explains the governance processes and procedures in place to enable the Chief Constable to carry out functions effectively by highlighting the internal control environment, commenting on effectiveness and identifying issues for future work.

3. Financial Arrangements

Setting the Budget

The Chief Constable delivers the operational policing against a delivery plan and net budget approved by the Police and Crime Commissioner (PCC). The PCC Group net revenue budget (or total budget) for 2022/23 was set at £279.1m (2021/22 £261.7m) of which £275.9m (2021/22 £258.9m) was attributed to policing under the direction of the Chief Constable for the year, the remaining gross revenue budget being attributed to the cost of administering the Office of the PCC.

The following chart shows a summary of the annual revenue budget by types of subjective expenditure.

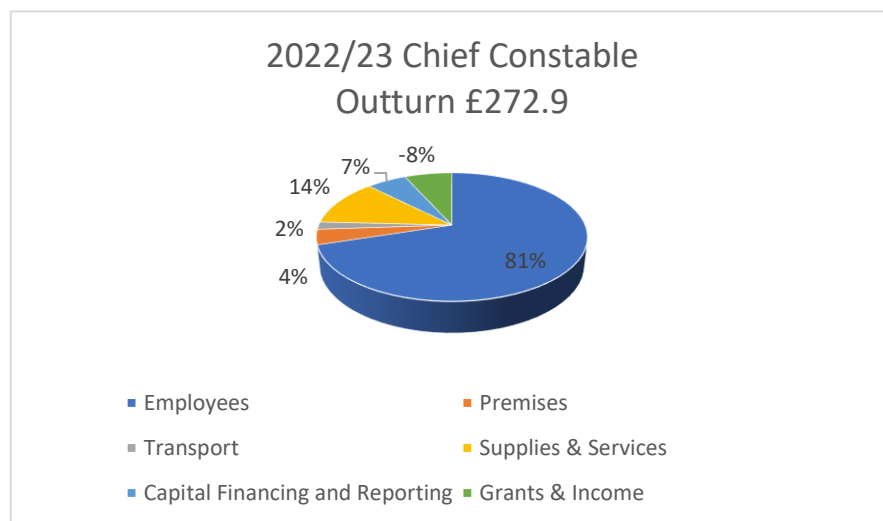


The capital budget included planned expenditure and receipts from sales in line with the Estates Strategy, improvements to IT infrastructure, replacement programmes for fleet and operational equipment and major projects including digital policing.

Final Revenue Outturn

Actual net expenditure attributable to policing under the direction of the Chief Constable was £272.9m (2021/22 £257.5m), against a budget of £275.8m (2021/22 £258.9m) resulting in underspend of £2.9m for the current year.

The following charts show the actual expenditure for the Chief Constable, along with a table comparing actual expenditure to budget for 2021/22 by cost type for the year.



Expenditure & Income Categories	Actual £m	Budget £m	Variance £m
Employees	223.6	227.7	(4.1)
Premises	12.2	11.9	0.3
Transport	5.9	4.8	1.1
Supplies & Services	32.9	36.9	(4.0)
Capital Financing and Reporting	18.1	8.0	10.1
Grants & Income	(19.8)	(13.5)	(6.3)
Total	272.9	275.8	(2.9)

The Chief Constable establishment for police officers and staff for the year was under the original budget plan which resulted in underspend of £5.5m.

Premises related expenditure was below budget by £0.2m due to less than expected costs for business rates and underspends on utilities and cleaning. Transport overspent by £1.1m largely due to increased fuel and servicing costs.

Supplies & services was below budget of 2.5 due to an underspend on consultancy costs on the ERP project and the estates Strategy Project.

There was an overachievement of income in a number of areas such as Local Policing, Operation Bridge, Specialist Crime and Secondments.

The 2022/23 underspend will be used in accordance with the approved Medium Term Financial Plan and 2022/23 outturn report.

Comprehensive Income and Expenditure Statement (CIES)

Actual expenditure for the year ended for the year ended 31 March 2023 compared against the previous year can be seen in the CIES. The Comprehensive Income and Expenditure Statement measures the financial performance for the year in terms of resources consumed over period and the funding provided to finance these resources. The accounting basis used to calculate net expenditure funded from the Home Office grants and local taxation. The CIES includes all net expenditure funded from grant and taxation plus notional (non-cash) amounts that are required by accounting regulations e.g. depreciation and changes in the value of property assets, interest charges on leased assets, and calculations of movements in police officer and police staff pension liabilities.

The following table reconciles Chief Constable's net operational expenditure to the position reported in the CIES. The table shows how the management accounts are adjusted for accounting regulations and statutory adjustments to arrive at the deficit on provision of services reported in the Comprehensive Income and Expenditure Statement.

2021/22 CC £m	Operational Delivery Expenditure	2022/23 CC £m
257.5	Actual net Expenditure per revenue outturn report 2020/21	272.9
	<i>Reserve and Provision transfers excluded from (Surplus)/Deficit on Provision of Services:</i>	
0.5	Financial year end accounting adjustments	(4.0)
	<i>Amounts in the CIES not in the outturn report:</i>	
10.7	Depreciation & Amortisation	15.2
35.4	Pensions	23.6
304.1	Net Cost of Services	307.7
(269.3)	Intra-group Adjustment from PCC to CC for resources consumed at the request of the Chief Constable	(283.9)
43.9	Financing and Investment Income & Expenditure including Pension Interest costs and expected return on pension assets	57.8
78.7	Deficit on the provision of services	81.6
(92.9)	Re-measurement of the net defined benefit liability/asset	(856.3)
(14.2)	Total Comprehensive Income and Expenditure	(774.7)

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

Capital Expenditure Budget

Capital expenditure is incurred on the acquisition and enhancement of the Commissioner's assets which have a life of more than one year. The capital and investment programme is designed to support business enablement and change projects to promote new ways of working and efficient use of resources. Investment plans for the year included investment towards the new Police Headquarters, fleet replacement in-car technology development, ICT hardware, particularly laptops, development of mobile emergency services network and acquisition of the software developed as part of the Enterprise Resource Planning (ERP) system.

The Police and Crime Commissioner owns all force assets and hence they are included on the Balance Sheet of the PCC and Group but not the Chief Constable. Day to day management is delegated to the Chief Constable who receives a budget to fund these costs from the PCC. The PCC approved a Capital Program of £7.4m in February 2022 however with slippage requests from 2021/22 programme, slippage in to 2022/23 and further adjustments the meant that the final budget was £15.6m. The force runs a flexible programme managing schemes over a rolling 2-year period enabling work to be brought forward or deferred.

The performance against the budget is as shown in the following table:

Capital Summary	2022/23 Total Budget £m	2022/23 Spend £m	Variance £m
DDaT Strategy and ERP	5.0	1.4	(3.6)
Commercial and Finance Services	6.3	4.9	(1.4)
Specialist Crime	1.0	0.0	(1.0)
Operations	0.5	0.7	0.2
Corporate Services	2.3	1.5	(0.8)
Local Policing	0.5	0.5	0.0
Total	15.6	9.0	(6.6)

The Force requested that the PCC approves £6.6m be carried forward into the capital budget for 2023/24 as this represents slippage in the capital programme for the year. This has meant that the capital programme for 2023/24 becomes £24.3m.

This £9.0m of expenditure for 2022/23 was funded by:

Source of Funding	Capital Financing £m
Government grants and contributions	0.9
Capital Receipts	0.7
Revenue Funding	7.4
Total	9.0

Balance Sheet

The balance sheet shows the value of the recognised assets and liabilities. The net liabilities are matched by the reserves held.

Chief Constable's Balance Sheet			
	31 March 22	31 March 23	Movement
	£m	£m	£m
Long Term Investments	0.0	16.2	16.2
Current Assets	0.1	0.1	0.0
Current Liabilities	(1.4)	(1.5)	(0.1)
Long Term Liabilities	(2,160.5)	(1,401.9)	758.6
Net Liabilities	(2,161.8)	(1,387.1)	774.7
Financed by			
Pensions Reserves	2,160.5	1,385.7	(774.8)
Accumulated Absences Account	1.3	1.4	0.1
Total Reserves	2,161.8	1,387.1	(774.7)

The movement between years was £774.7m. This is predominantly due to a decrease in the long term pension liability of £774.8m as a result of the annual actuarial review and changes in assumptions used to estimate future pension cost (due to increasing bond yields and lower projected pension costs). Also, the staff pension scheme liability after the revaluation came out as a long term asset not a long term liability.

6 Employee Pension Schemes

The Chief Constable operates separate pension schemes for Police Officers and Police Staff. Police Staff can join the Local Government Pension Scheme (LGPS) 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 Chief Constable and PCC Group is required to disclose this future commitment based on the full cost calculated based on the time employees become eligible to retire. This future net liability and annual current cost are calculated by an independent actuary in accordance with International Standards (IAS19).

Accounting for this commitment has a substantial impact on the net worth of the Balance Sheet, resulting in a negative reserves on the Chief Constable Balance Sheet totalling £1,385.7m (2021/22 £2,160.5.0m). The police officer pension scheme has the majority share of

the deficit at £1,401.9m (2021/22 £1,994.1m). The police staff scheme was measured as an asset of £16.2m in 2022/23, moving from a liability of £166.4m in 2021/22. Statutory arrangements are in place to fund this deficit which means the Chief Constable maintains a healthy financial position and can continue to operate on a going concern basis.

The value of the Police Staff pension scheme is assessed triennially and the employer's contribution is adjusted in line with the actuary's recommendations. The latest triennial valuation completed in April 2022 resulted in employer's contributions remaining at 16.5% with the additional payments depending on the payroll figure. If the payroll increases the payments increase and if the payroll decreases the payments decrease.

For the police officers pension fund the employer's contribution rate for the 2022/23 year was 31.0%. In 2022/23 costs in excess of the employer's contribution were met by the Home Office by way of the Pension Top-Up Grant and an additional grant of £2.0m.

7 Further Information

Surrey Police continues to undertake significant change activity through the Policing Together programme with Sussex Police, and also with other forces in the South-East region, in order to meet financial challenges, increase resilience and improve service delivery. The full savings programme and budget reductions for 2022/23 of £3.1m were taken at the beginning of the financial year and is shown by portfolio as follows:

Department	Total £m
People Services	0.8
DDAT	0.7
Force-wide	0.4
Ops Command	0.2
Local Policing	0.7
Specialist Crime	0.2
Specialist Crime Command	0.1
Grand Total	3.1

Within the organisation we continue to develop innovative working practices to maximise our efficiency. This includes investing in better technology, managing digital evidence and sharing information more effectively.

We are monitoring the effectiveness of our digital investments and have, for example, seen huge benefits to officers using Mobile Data Terminals (MDTs) while out in the community. We are equipping all employees with the right skills and tools to work in a modern way, whilst they face increasingly complex policing challenges, and provide increased visibility and reassurance to the community.

With further investment we can further strengthen our position – prevent more crimes, catch more criminals, protect more victims, solve more crimes and keep Surrey even safer.

The majority of services within the Support Services functions are collaborated including; Procurement, Insurance, Transport, People Services, Information & Communication Technology, and Finance. Further work is ongoing to develop a Shared Business Service Centre.

Surrey Police are committed to continuous improvement in their arrangements for programme, project and financial management.

8 Financial Outlook

The financial statements are prepared on the assumption that the legal entity of the Chief Constable of Surrey Police is a going concern, meaning that it will continue to operate for the foreseeable future and will be able to realise assets and discharge liabilities in the normal course of operations.

The key accounting concept of a going concern assumes that an organisation, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets. An ability to apply the going concern concept can have a fundamental impact on the financial statements.

The Local Government Accounting Code makes it clear that government changes should not be seen as having a detrimental impact on the Chief Constable continuing as a going concern. In addition to this a policing body cannot be created or dissolved without statutory prescription, and accordingly must prepare their financial statements on a going concern basis of accounting.

Unusable reserves on the balance sheet include the large negative pension reserve which is mainly due to the police pension schemes being unfunded i.e. with no fund assets to offset future liabilities when existing police officers have all retired. The statutory arrangements for funding the liability mean that the Chief Constable's financial position remains sound.

Usable reserves are a key part of budget setting and financial planning, such reserves are held by the PCC, with the general reserves strategy being to maintain a balance that does not fall below 3% of the budget. A number of earmarked revenue reserves are also held for specific purposes or activities. The use of general reserves assists in financial planning to mitigate any short term predicted funding gaps.

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

Following a period of growth, due to the pandemic and other additional ongoing spending pressures, the financial outlook has changed for Surrey Police, as it has for all public and private sector organisations.

The Home Office financial settlement has provided PCC's flexibility to increase the precept by up to £15 in 2023/24 and £10 in 2024/25 as part of the 3 year settlement agreement for Police Bodies.

In February 2023, the Surrey PCC approved the maximum £15 precept to fund additional cost pressures arising from inflation, cost of officer/staff increments, contributions to national programmes and contractual obligations. Policing funding comes from several different sources, and with uncertainty surrounding Home Office grants, the precept is more important than ever and absolutely essential so that we can meet increasing costs.

The annual revenue budget for 2023/24 was set by the PCC at £288.5m (2022/23 £279.1m) of which the Chief Constable's budget amounts to £285.2m (2021/22 £276.0m).

Details of the PCC's plans for revenue and capital expenditure in 2023/24 budget can be found in the Surrey Police and Crime Commissioner's Precept Setting proposal. Whilst the annual budget is agreed by the PCC it is scrutinised by the Police and Crime Panel before a final decision is made. Copies of the documents can be obtained from the Office of the Police and Crime Commissioner for Surrey by telephoning: 01483 630200, or from the website at www.surrey-pcc.gov.uk.

If you have any questions, comments or suggestions about these financial statements please contact us using the following email address: CorporateFinance@Surrey.pnn.police.uk.

Peter Appleton

Executive Director of Commercial and Finance Services
(Chief Finance Officer)

Date: 28 July 2023

External Auditor's Report

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Statement of Responsibilities

This section explains the responsibilities for managing the financial affairs of the Chief Constable of Surrey.

Responsibilities of the Chief Constable:

The Chief Constable is required:

- To make arrangements for the proper administration of the Chief Constable of Surrey's financial affairs and to ensure that one of its officers (the Chief Finance Officer) has the responsibility for the administration of those affairs. That officer is the Executive Director of Commercial and Finance Services;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

I approve the Draft Statement of Accounts for the year ended 31 March 2023.

Tim De Meyer
Chief Constable

Dated:

Responsibilities of the Executive Director of Commercial & Finance Services as Chief Finance Officer to the Chief Constable of Surrey:

The Chief Finance Officer is responsible for:

- Preparation of the Statement of Accounts for the Chief Constable of Surrey 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').

I certify that the Draft Statement of Accounts gives a true and fair view of the financial position of the Chief Constable of Surrey at the accounting date and of the income and expenditure for the year ended 31 March 2023.

Peter Appleton
Executive Director of Commercial and Finance Services/Chief Finance Officer

Dated:

In preparing the Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent including assessments of going concern; and
- Complied with the code and its application to the Accounts of the Chief Constable of Surrey.
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.



Surrey Police
Chief Constable's Annual Governance Statement 2022-23

1 Introduction

- 1.1 This annual governance statement sets out how Surrey Police has complied with the corporate governance framework set out in the Code of Corporate Governance for the Surrey Police and Crime Commissioner (PCC) and the Chief Constable¹ in place for the year ended 31 March 2023. It also details areas of improvement to further enhance governance arrangements that the force plans to progress during 2023-24.
- 1.2 Publication of the draft unaudited accounts and AGS deadline is 31 May 2023. Publication of the final audited accounts and AGS deadline is 30 September 2023.
- 1.3 It is designed to complement the annual governance statement of the Surrey PCC, to give the full picture of governance within Surrey Police and the Office of the PCC.
- 1.4 This statement is informed by an annual review of governance arrangements with assurance on compliance with the seven principles of the Code of Corporate Governance, by on-going audit inspection and external review.
- 1.5 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England). This term 'authority' includes the Chief Constable and the Police and Crime Commissioner legal entities. This requirement is reflected in the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 published by the Chartered Institute of Public Finance & Accountancy (CIPFA).
- 1.6 Surrey Police continues to follow the principles of the CIPFA Framework: 'Delivering Good Governance in Local Government'² and the guidance notes for policing bodies (revised 2016)³.
- 1.7 Surrey Police also uses the CIPFA Financial Management Code (CIPFA FM Code) to support good practice in financial management and to assist in demonstrating financial sustainability.
- 1.8 This statement explains how the Force has complied with the principles and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.
- 1.9 The Force's financial management arrangements conform to the governance requirements of CIPFA's Statement 'The Role of CFO's in Policing' (March 2021).

2 Scope of Responsibilities

- 2.1 The Chief Constable and the PCC are responsible for ensuring business is conducted in accordance with the law and proper standards, and that public money is safeguarded and is properly accounted for.
- 2.2 Under the Policing Protocol 2011 the PCC has responsibility for the delivery of efficient and effective policing, management of resources and expenditure by the police force. The PCC has a statutory responsibility to obtain views from the community and victims of crime about the policing of the Force area and must take into account the views of responsible authorities. These views inform the PCC's Police and Crime Plan which sets the strategic direction and priorities for the Force.

¹ Code of Corporate Governance) <https://www.surrey-pcc.gov.uk/media/4781/code-of-corporate-governance-v9-2020.pdf>

² "Delivering Good Governance in Local Government" <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

³ "Delivering Good Governance in Local Government" and the guidance notes for policing bodies (revised 2016) <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-guidance-notes-for-policing-bodies-in-england-and-wales-2016-edition>

- 2.3 The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services provided by Surrey Police (the Force), having regard to the strategic direction and priorities set by the PCC in the Police and Crime Plan. In discharging this overall responsibility, the Chief Constable is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control, which facilitates the effective exercise of these functions.

3 The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems, processes, culture and values by which the Force is directed and controlled, together with its activities through which it accounts to and engages with the community.
- 3.2 It enables the Force to monitor the achievement of its strategic objectives, as set out by the PCC in the Police and Crime Plan⁴ and the Strategic Policing Requirement⁵, and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.
- 3.3 The fundamental function of good governance in the public sector is to ensure that intended outcomes are achieved whilst acting in the public interest at all times.

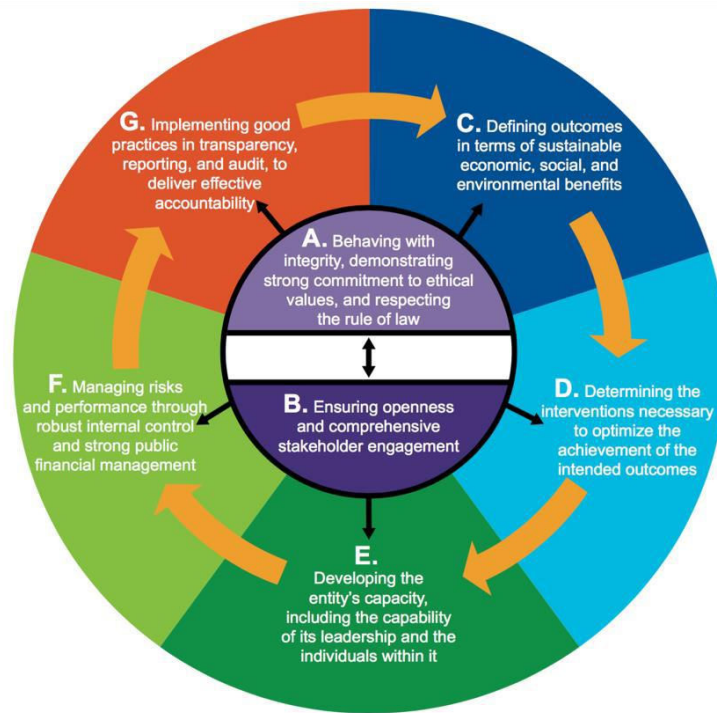
4 The Governance Framework

- 4.1 The Chief Constable of Surrey Police is responsible for operational policing matters, direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The PCC is required to hold him/her to account for the exercise of those functions and those of the persons under his/her direction and control. It therefore follows that the PCC must be assured that the Force has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.
- 4.2 A governance framework, collectively known as the Scheme of Corporate Governance, has been in place for the year ended 31 March 2023 and includes the Code of Corporate Governance, Memorandum of Understanding, Decision-making Framework, Scheme of Delegation, Financial Regulations and Contract Standing Orders. The Force system of internal control, based on a framework of policies and procedures, is a significant part of the Force governance framework and is designed to manage risk to a reasonable and foreseeable level. The Force cannot eliminate all risk of failure to achieve policies, aims and objectives; it can only provide reasonable but not absolute assurance of effectiveness.
- 4.3 The Code of Corporate Governance for the Surrey Police and Crime Commissioner and Chief Constable for Surrey Police and all strategic governance documents that comprise the Scheme of Corporate Governance were reviewed in 2022-23 as part of the annual review of governance documentation and are available on the PCC's website⁶. The joint Code provides a summary of governance arrangements setting out responsibilities. The Code also details a diarised programme for the regular review of policies. A key element of this is the identification and management of risk.
- 4.4 Governance arrangements for both the Force and the PCC follow the seven principles as set out in the revised Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales (2016 Edition). The diagram below illustrates the various principles of good governance in the public sector and how they relate to each other. A summary of how the force complies with these principles is detailed below.

⁴ Police and Crime Plan: [Police & Crime Plan](#)

⁵ Strategic Policing Requirement: <https://www.gov.uk/government/publications/strategic-policing-requirement>

⁶ Governance Documents: <https://www.surrey-pcc.gov.uk/transparency/key-responsibilities/>



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

To achieve this, the Chief Constable has:

- ensured that officers and staff carry out their respective roles in a climate of openness, support and respect;
- developed standards of conduct and personal behaviour which are defined and communicated through appropriate codes of conduct and protocols and the policing Code of Ethics;
- communicated that all managers and supervisors at all levels of the Force should set a good example and challenge any behaviour that does not meet the Code of Ethics and to clearly communicate the Force's values, standards, expectations and priorities;
- continued the Ethics Committee with an Independent Chair and Vice-chair to provide advice to the Force on ethical dilemmas raised by individuals or departments, with Information Management process in place to ensure policies and procedures are consistent and developed in consultation with subject matter experts including diversity and staff associations;
- in place arrangements for the reporting of all financial irregularities to senior managers and Section 151 officers via the Financial Regulations;
- ensured that an Equality, Diversity and Human Rights (EDHR) strategy is in place, overseen by the EDHR Board to link EDHR aims, objectives and outcomes with Force vision and priorities;
- continued to emphasise to staff the importance of crime data integrity, and what constitutes compliance with the national standards for crime recording, to ensure effective crime investigation and prevention (Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook an inspection of crime data integrity in Surrey Police⁷ and assessed the Force as "Good");
- ensured ethical application of Home Office Counting rules via the Strategic Crime and Incident Recording Group monitoring via the Data Quality Action Plan.
- ensured a policy on anti-fraud, bribery and corruption is in place (updated Jan 2023)⁸ which clearly sets out the procedures to be operated and which is designed to encourage prevention, promote detection and identify a clear pathway for the investigation of fraudulent and/or corrupt practices or behaviour;

⁷ HMIC Crime Data Integrity inspection report 2018 Surrey Police: <https://www.justiceinspectorates.gov.uk/hmicfrs/publications/surrey-crime-data-integrity-inspection-2018/>

⁸ Anti-Fraud, Bribery and Corruption Policy: <https://www.surrey.police.uk/SysSiteAssets/foi-media/surrey/policies/anti-fraud-corruption-and-bribery-policy.pdf>

- ensured that the Force is compliant with all relevant anti money laundering legislation;
- ensured accessible, appropriate and long established whistle-blowing arrangements and processes in place and that these are regularly reviewed e.g. “Anonymous Contact” confidential and independent web based reporting system;
- ensured that the requirements of the Policing and Crime Act 2017 relating to police conduct reforms were implemented (effective from February 1st 2020), establishing procedures for dealing with and investigating complaints which are in line with legal requirements and national guidelines;
- ensured that Surrey Police remains proactive in preventing and responding to cases involving “Abuse of Authority”, which includes raising awareness for staff, with policies giving clear guidance on standards of sexual integrity expected via bespoke NCALT training package;
- ensured that officers and staff have easy reference to key information that relates to integrity accessible through the Force intranet;
- reviewed the national report Vetting, Misconduct and Misogyny (published November 2022) with all recommendations directed at forces being addressed via a task and finish group to monitor implementation progress;
- ensured that appropriate policies are in place that relate to media relations, integrity and use of social media;
- ensured that staff and officers have been provided with and understand training in unconscious bias;
- regularly published chief officer expenses, gifts and hospitality (received and declined) and outside business interests of senior officers and staff with quarterly reports subject to oversight by Joint Audit Committee, Head of Professional Standards Department and the PCC;
- ensured there is a Force policy regarding use of force, and that it is compliant with Independent Office of Police Conduct (IOPC), (formerly the Independent Police Complaints Commission), report recommendations⁹, which includes the responsibility to fully document at the earliest opportunity the extent and method of force used, and the rationale for that force;
- considers divisional and IOPC reports published by the Professional Standards Department detailing results and lessons learnt from complaints and investigations to provide further guidance to all employees;
- ensured that the Force has met its equality and diversity obligations as set out in the Equality Act 2010 and the Public Sector Equality Duty 2011. There is a well-established quarterly Equality, Diversity and Inclusion Board (EDI) which provides the governance for delivery of the EDI strategy to achieve positive change, promote inclusion and deliver on priorities;
- a force Criminal Justice team responsible for keeping the Force up to date with changes in national criminal justice and legislation, with the Force Policy and Procedure team overseeing appropriate policies.
- continued to develop the work of the Legitimacy and Ethics Board (formed jointly with Sussex Police in 2017), to ensure that both forces are compliant with relevant Authorised Professional Practice and forces’ policies and to improve the scrutiny and governance arrangements in relation to key aspects of policing in Surrey and Sussex, including Stop and Search, Use of Force and the use of body worn video.

4.6 ***Principle of Good Governance: B Ensuring openness and comprehensive stakeholder engagement.***

To achieve this, the Chief Constable has:

- meetings with the PCC every 6 weeks for alternate public webcast, and private scrutiny, meetings to report on progress against the PCC’s Police and Crime Plan;
- ensured that Force engagement with the public takes place on many levels, from daily street contact and phone calls through to contact via social media (Facebook, Twitter etc.), online interaction via the force website and formal surveys in relation to service priorities;
- encouraged the public to sign up to ‘In the Know’ receipt of regular updates from Surrey Police;
- ensured use of social media accounts at a corporate and local neighbourhood level to provide updates, crime prevention advice and opportunities for engagement with all key news stories, including proactive transparency on negative issues involving the force such as officer misconduct, with monthly review of public information effectiveness to promote improvement, and social media training delivered in year to frontline staff including the Contact Centre;

⁹ IOPC Use of Force: https://www.policeconduct.gov.uk/sites/default/files/Documents/research-learning/IPCC_Use_Of_Force_Report.pdf

- held regular meetings with local communities offering local people a chance to be heard, to discuss issues that affect them, to agree local action to tackle these issues and agree priorities;
- worked with partner organisations - through community safety partnerships and a range of others to tackle crime, disorder, anti-social behaviour and to reduce re-offending;
- engaged with Independent Advisory Groups, whose membership reflect different sections of the community, to encourage the active involvement of people from diverse groups;
- maintained Surrey Police information sharing agreements with partners and other organisations to manage information, working closely with County, Borough and District Councils via a centralised communications group which meets quarterly to share key messages.
- ensured that user satisfaction surveys across a range of victim groups (beyond the statutory requirement) are conducted to a high standard, providing the Force with information about the quality of service these groups have received from the police service e.g. quarterly neighbourhood survey, monthly Victim Satisfaction surveys for Anti-Social Behaviour and Crime, and ad hoc public surveys via social media;
- in place an engagement guide explaining to stakeholders and interested members of the public what they can expect from the force, supported by local engagement plans, policies and procedures;
- ensured that the Surrey Police website was further developed having joined the national initiative “Single On-line Home”, which offers an enhanced self-service feature for the public, greater consistency of advice and guidance and an improved user experience;
- ensured there is an up to date Freedom of information Act 2000 publication scheme;

4.7 ***Principle of Good Governance: C Defining outcomes in terms of sustainable economic, social and environmental benefits.***

To achieve this, the Chief Constable has:

- A Chief Constable’s ‘Plan on a Page’ set out the force vision and purpose in accordance with the PCC’s Police and Crime Plan and the Surrey Police Business Plan 2017-2025¹⁰. Recognising the need for staff and public to see and understand a clear vision and strategy for the Force, in September 2020 Surrey Police set out its strategy as “Our Commitments” to our Communities, our Force and our People. The Force will use this framework to focus activity over the next five years¹¹;
- published a Force Management Statement¹² detailing demand for police services and Surrey Police resourcing to meet these demands, together with details of identified areas to be addressed through investment;
- a five year Medium Term Financial Plan which is regularly reviewed and supported by robust, sustainable multi-year budgets to deliver the Force Business Plan and consider external factors such as inflation, borrowing and funding;
- decided how the quality of service for users is to be measured and ensured that the information needed to regularly and effectively review service quality is available;
- established a robust performance framework that ensures that the Chief Constable is informed of progress against key indicators;
- has continued to review the key functions, departments and activities, to ensure that the delivery of all elements of policing are effective and efficient;
- actively pursued joint working opportunities at a local, regional and national level, which has resulted in a number of policing services being delivered in collaboration with other organisations and bodies, particularly with the Sussex PCC and Sussex Police;

¹⁰ Surrey Business Plan: <https://www.surrey.police.uk/SysSiteAssets/media/downloads/surrey/about-us/business-plan-2017.pdf>

¹¹ Surrey Chief Constable’s ‘Our Commitment’ vision: <https://www.surrey.police.uk/our-commitments>

¹² Surrey police Force Management Statement 2018: https://www.Surrey.police.uk/SysSiteAssets/foi-media/Surrey/other_information/Surrey-police-force-management-statement-2019.pdf
https://www.surrey.police.uk/SysSiteAssets/media/downloads/surrey/about-us/sp_forcemanagementstatement.pdf

- established with Sussex Police a Change Delivery function which recognises the importance of strategic planning and integration to incorporate national, regional and local change, business change/adoption and change assurance;
- a robust mechanism to record and respond to recommendations and findings from external review, including HMICFRS and the IOPC, which is overseen by the Organisational Reassurance Board (ORB), chaired by the Deputy Chief Constable.

4.8 ***Principle of Good Governance D: Determining the interventions necessary to optimise the achievement of the intended outcomes.***

To achieve this, the Chief Constable has:

- undertaken an annual review of the corporate governance framework and key high level governance documents, including the Code of Corporate Governance ensuring the Code is aligned with the CIPFA guidance published in 2016;
- ensured that there is a risk management strategy and policy in place to ensure that threats to the achievement of the Force's organisational objectives and regional and national responsibilities are identified and managed effectively via the Organisational Reassurance Board (ORB), with regular risk updates reviewed by the Joint Audit Committee and at the PCC's Performance meeting;
- established a performance framework based on force priorities/strategic objectives, with an increased focus on qualitative assessment of behaviours and performance and root-cause analysis of issues - these changes have been aligned with the findings from the Irene Curtis review into the use of targets in policing¹³;
- subjected key strategic projects to specific oversight arrangements, including frequent review of the level of intervention required by the PCC and CC;
- ensured that there is robust scrutiny of the Force's 'Policing in Your Neighbourhood' and other change programmes to ensure that significant and complex change programmes are monitored, reviewed and delivered effectively;
- ensured regular and focussed communication with the public via a communication planner regarding communication strategies supporting force priorities and alignment of public campaigns with those priorities;
- used monthly victim satisfaction surveys to monitor service delivery outcome satisfaction and compliance with the Victim Code.
- developed the governance related to change to better prioritise and drive delivery and better enable decision-making – this change governance process is supported by three levels of governance boards: Change Engagement Meeting; Change Assessment Board and Strategic Change Board which continue to work well for the organisation;
- ensured post implementation reviews have been undertaken of key change programmes to provide assurance of benefit delivery, with processes in place for follow up on the completion of any additional actions.

The 2021-22 HMICFRS assessment found:

The force has a strong problem-solving ethos focused on neighbourhood policing - The force has invested in developing its problem-solving and specialist neighbourhood teams since the last inspection. Neighbourhood policing is valued by the force, and the inspector was encouraged to see that resources aren't routinely diverted into other areas of policing. The inspector was also pleased to see the value the force places on early intervention. But it must balance these priorities with other areas of policing to make sure resources are used well across the force.

¹³ The use of targets in policing:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466058/Review_Targets_2015.pdf

The force investigates crime well - The force carries out crime investigations in a timely way. Officers complete relevant and proportionate lines of inquiry in most cases. The investigations reviewed were well supervised, and victims were kept updated throughout. Vulnerability is considered at first point of contact. Call handlers consider threat, risk and harm to those involved, and prioritise incidents accordingly.

The force has an effective criminal justice diversion *scheme* - The force works hard to break the cycle of repeated offending. The inspector was pleased to see the success of the Checkpoint programme, which offers lower-level offenders an alternative to prosecution by addressing the causes of their offending. This has encouraged many to turn their lives around.

Further work should be done to monitor those who pose the highest risk - The force manages arrests of outstanding offenders effectively. But it needs to do more to monitor registered sex offenders and ensure they comply with ancillary orders. Where officers suspect indecent images of children, they should always prioritise cases according to the assessment of threat, risk and harm.

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

To achieve this, the Chief Constable has:

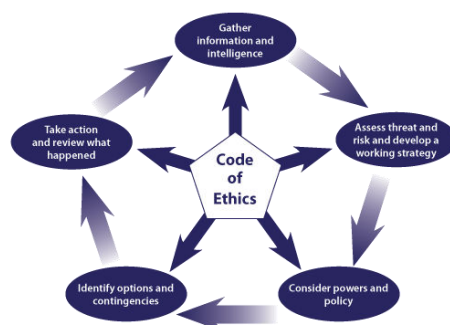
- established clear roles and responsibilities for each of the Force's senior officers;
- developed a workforce plan introduced across Surrey Police and Sussex Police and reviewed quarterly, which identifies the future workforce mix and profile requirements, this is reviewed at the DCC's Strategic Board and quarterly at the Workforce Capability and Capacity Board and the Surrey Resource Management meeting attended by business representatives and used to understand and review priorities;
- undertaken a skills audit for officers and staff to establish the current level of leadership skills with the force and enabling better planning of training which more effectively meets the needs of officers and staff e.g. work is underway for core skills for Response (Prevention and Detectives to follow);
- used the skill product "Licence to Police" to baseline essential skills for all police officers;
- introduced a new process from July 2018 for individual performance review and management – "Focus", which sets out a new approach for regular constructive feedback on performance and areas for improvement;
- introduced in 2019-20 a Succession Planning Framework, known as Future Focus, which enables line managers to undertake career planning with staff and officers, identifying talent at the same time as succession planning for critical roles within departments and putting in place plans to minimise risks if this is required;
- ensured local talent pools are embedded in the Force to develop and support future leaders in conjunction with Future Focus;
- developed a leadership strategy and framework based on the national Competency and Values Framework as part of the leadership programme aiming to increase capability in good leadership for officers and staff across Surrey Police and Sussex Police, this includes the First Line Leaders Development (FLLD) pathway to unblock barriers and develop skills, and the Second Line Leaders Development Programme aimed at Inspectors/Chief Inspectors and staff equivalents;
- ensured that Force capability continues to be monitored at the Capacity, Capability and Performance Board (CCPB) which was relaunched in June 2019 with revised terms of reference;
- ensured specific work was undertaken to address the gap in detectives the Force is experiencing with the Heads of Crime Investigative Improvement Programme (HocIIP), including a fast track detective degree holder entry programme;
- promoted an ethos of continuous improvement across the Force and been proactive in promoting innovative practice in order to reduce organisation costs and improve performance, including ensuring that staff have every opportunity to help shape organisational change and service improvement, with an intranet Development Hub to support officers and staff via a central point of reference to Leadership Development programmes, Continuing Professional Development (CPD) and national tools;

- continued to work with Unison, the Police Federation and the Superintendent's Association using the seven point plan (launched Feb 2017) to enable a consistent approach to how assaults on staff and officers are dealt with;
- developed the work of the Wellbeing Board, attended by representatives from Surrey Police and Sussex Police as well as staff associations, allowing workforce concerns to be raised and acted upon;
- established a Wellbeing Strategy and Action Plan, revised every year to factor in emerging and identified needs, which defines the meaning of "wellbeing" and why it is important.

4.10 **Principle of Good Governance F: Managing risks and performance through robust internal control and strong public financial management.**

To achieve this, the Chief Constable has:

- ensured that all decision making is carried out in accordance with the governance framework as set out in the Code of Corporate Governance;
- continued to work to embed ethical decision making at all levels following the National Decision Model (NDM), which has at its centre the policing Code of Ethics;



- NDM is explained on dedicated intranet pages and posters promoting principles of the Code of Ethics. NDM is included in all learning material, selection/promotion processes, on investigators notebooks and pocket books as an aid to regular use and decision making process;
- set strategic direction and priorities via the Chief Officer Group (COG) for Surrey, and the Chief Officer Meeting (COM) for matters across Surrey Police and Sussex Police. The Force Organisation Reassurance Board includes Chief Superintendents and Heads of Department providing a forum to agree changes to policy and practice, and maintain oversight of financial and workforce planning.
- compared performance against peer data as provided by HMICFRS 2020 Value for Money profiles,¹⁴ seeking improvement where best practice was identified;
- ensured individual change programmes are built on comprehensive business cases to secure value for money, effective resources management, and projected benefits;
- ensured change programme and project expenditure was scrutinised and challenged by chief officers via relevant programme and project boards led by chief officers;
- ensured that there is a process in place between Change Delivery and finance to manage and monitor the delivery of savings, which has been incorporated into the budget setting process.
- ensured that a risk management strategy and policy is embedded in the governance structure and is used effectively to inform and focus decision making, including the response to COVID-19;
- ensured that effective business continuity arrangements are in place to meet the requirements outlined in the Civil Contingencies Act 2004.
- ensured data protection and information management policies and strategy are in place to ensure that the Force is compliant with General Data Protection Regulation 2018 (GDPR) and the Data Protection Act 2018;

¹⁴ HMICFRS Value for Money profiles Surrey 2020: <https://www.justiceinspectorates.gov.uk/hmicfrs/our-work/article/value-for-money-inspections/value-for-money-profiles/value-for-money-dashboards/>

4.11 ***Principle of Good Governance: G*** Implementing good practices in transparency, reporting and audit to deliver effective accountability.

To achieve this, the Chief Constable has:

- ensured that the Force undergoes extensive internal and external inspection and that the results of these inspections are available on line;
- ensured that internal audit is provided through a managed service contract with the Southern Internal Audit Partnership and regular updates are provided to the Joint Audit Committee¹⁵;
- ensured that information is published to allow appropriate scrutiny of decision making¹⁶;
- ensured that the public are able to attend police disciplinary hearings to observe proceedings¹⁷
- continued to support the work of the Joint Audit Committee in its role of monitoring Force governance and internal control.

5 Review of Effectiveness

- 5.1 The Chief Constable has responsibility for conducting a regular review of the effectiveness of the governance framework, including the system of internal audit and control. This annual governance statement provides a summary of activities undertaken and areas for continuous improvement identified through the Force review of the governance arrangements; these have been included in the action plan for 2022-23.
- 5.2 This review has been co-ordinated by the Corporate Finance team and informed by senior managers across the Force in order to assess the Force compliance with the CIPFA guidance.
- 5.3 The review of the evidence for the effectiveness of the governance framework, to confirm that the current arrangements are fit for purpose, are presented to meetings of the Force Organisational Reassurance Board and the Joint Audit Committee. The review also provided updates and confirmation regarding the completion of areas for improvement identified in the annual governance statement.
- 5.4 Assessments and recommendations made by the internal and external auditors and other review agencies and inspectorates have also informed this review.
- 5.5 The Joint Audit Committee has been consulted on the development of the annual governance statement. The final statement is considered at its meeting for recommendation for approval by the Chief Constable. The Committee aims to ensure that there is continuous improvement in the process and endorses the resulting annual action plan. Regular updates on progress to address the areas for improvement are provided to the Committee.
- 5.6 A process is established to ensure the Chief Constable and Surrey PCC, approve and sign off the annual governance statements, in accordance with the CIPFA guidance.

6 Internal Audit Opinion

- 6.1 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:

Annual Internal Audit Opinion 2022-23: <https://www.surrey-pcc.gov.uk/wp-content/uploads/2023/07/06a-Surrey-Police-Internal-Audit-Progress-Report.odt>

¹⁵ Joint Audit Committee: <https://www.surrey-pcc.gov.uk/transparency/meetings-agendas/>

¹⁶ Surrey Police website: <https://www.surrey.police.uk/foi-ai/af/accessing-information/>

¹⁷ Misconduct Hearings: <https://www.surrey.police.uk/search?q=misconduct+meetings>

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the PCC and Chief Constable to inform their governance statements. The annual opinion concludes on the overall adequacy and effectiveness of Surrey Police's framework of governance, risk management and control.

For the 12 months ended 31 March 2023, the Chief Internal Auditor's draft opinion for the Office of the Police and Crime Commissioner for Surrey and the Surrey Police Force is as follows¹⁸:

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion frameworks of governance, risk management and management control are reasonable overall and audit testing has demonstrated controls to be working in practice.

I would however, particularly draw attention to the ongoing risks relating to the legacy Oracle People Solutions system, which the Force is carrying for longer than planned following the termination of the Equip programme. These are outlined on page 12 and reflected in the Force strategic risk register. I gave a limited assurance opinion in 2021-22 due to the risks relating to the legacy Oracle People Solutions system, however over the year work has taken place to increase the resilience of the Oracle People Solutions in the short term and to increase the likelihood of recovering the system successfully within a reasonable timeframe, whilst the system is being upgraded.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

7 Governance Issues

Internal Audit

- 7.1 The internal audit function is carried out by Southern Internal Audit Partnership for both the PCC and the Chief Constable. Audit reviews are undertaken in line with an annual internal audit plan, which is recommended by the Joint Audit Committee. "Joint" audit reviews between Surrey Police and Sussex Police enable a more efficient audit review process.
- 7.2 The overall Annual Internal Audit Opinion for 2022-23 from the Chief Internal Auditor of SIAP was "reasonable".
- 7.3 There were no Internal Audit reviews relating to 2022-23 that gave an opinion of no assurance.
- 7.4 Internal Audit reviews resulting in substantial assurance opinions during the 2022-23 year are detailed below.
 - SSP Cyber Security – Protective Monitoring 2022/23 (Joint)
 - SSP Project and Programme Management 2022/23 (Joint)
 - SSP Ill Health Retirements 2022/23 (Joint)
 - SSP Strategic Financial Planning and Budgeting (Revenue) 2022/23 (Joint)
- 7.5 Internal Audit reviews resulting in reasonable assurance opinions during the 2022-23 year are detailed below.
 - Surrey OPCC Decision Making and Accountability 2022/23
 - SSP Contract Management (Revenue) 2022/23 (Joint)

¹⁸ Annual Internal Audit Opinion 2022-23

- SSP Forensic Investigations 2022/23 (Joint)
- SSP Seized Property and Cash 2021/22 (Joint)
- SSP HR – Strategy and arrangements for delivery of training to meet future needs 2021/22 (Joint)
- Surrey Freedom of Information Requests 2021/22
- Surrey Police Management of Establishment/Pay Projections 2022/23
- SSP Strategic Financial Planning and Budgeting – Capital Expenditure 2022/23

7.6 In 2022-23, 5 Internal Audit reports were given an opinion of limited assurance for which the Force has been working with SIAP to ensure recommendations are addressed as far as possible and as quickly as possible.

- Surrey Duty Resource Planning 2021/22
- SSP Agency Staff 2022/23 (Joint)
- SSP Operating Systems Management 2021/22 (Joint)
- SSP IT Resource Management 2022/23 (Joint)
- SSP Uniform Control 2022/23 (Joint)

7.7 Management have agreed recommendations to address all the findings reported by the internal audit service during 2022/23.

8 Certification

This statement has been prepared on the basis of the review of effectiveness of governance arrangements. Advice and recommendations on the annual governance statement have been received from internal and external auditors and the JAC. It represents a fair and reasonable assessment of current arrangements and plans for improvement within Surrey Police. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Tim De Meyer, Chief Constable of Surrey

Date:

Peter Appleton, Executive Director of Commercial and Finance Services, Chief Finance Officer to the Chief Constable of Surrey

Date: 28th July 2023

Contact details:

Peter.Appleton@surrey.police.uk

Appendix A: Areas for Improvement - Action Plan 2023-24

<i>Ref</i>	<i>Area for improvement</i>	<i>Owner</i>	<i>Completion Target dates</i>
ISSUES IDENTIFIED FROM INTERNAL AUDIT 2021-22			
	Joint Uniform Stores 2021/22 – Limited Assurance 13 Medium, 5 Low level management actions	Executive Director of Commercial and Finance	COMPLETE
	Joint Transport Fleet Management 2021/22 – Reasonable Assurance 4 High, 1 Medium, 1 Low level management actions 1 medium action remains open	Executive Director of Commercial and Finance	AGREED ONGOING Anticipated completion date: March 24
	Joint Application Management: Niche 2021/22 – Reasonable Assurance 5 Low level management actions 1 low action remains open	Chief Digital and Information Officer	AGREED ONGOING Anticipated completion date extended to: August-23
	Joint Network Infrastructure Management and Monitoring 2021/22 – Reasonable Assurance 3 Medium, 8 Low level management actions 2 medium actions remain open	Chief Digital and Information Officer	AGREED ONGOING Anticipated completion date: Dec-23
	Joint Seized Property and Cash 2021/22 – Reasonable Assurance 6 High, 5 Medium, 4 Low level management actions 2 medium, 1 low actions remain open	Executive Director of Commercial and Finance	AGREED ONGOING Anticipated completion date: Aug-23
	Joint HR Strategy and arrangements for delivery of training to meet future needs 2021/22 – Reasonable Assurance 3 High, 1 Medium level management actions 1 medium action remains open	Director of People Services	AGREED ONGOING Anticipated completion date extended to: June-23
ISSUES IDENTIFIED FROM INTERNAL AUDIT 2022-23			
	Cyber Security – protective monitoring (joint review) 2022/23 – Substantial Assurance 1 Medium level management action	Chief Digital and Information Officer	COMPLETE
	Strategy and arrangements for delivery of training to meet future needs (joint review) 2022/23 – Reasonable Assurance 3 High, 1 Medium level management actions 1 medium action remains open	Director of People Services	ONGOING Anticipated completion date June-23
	Management of establishment / pay projections Payroll 2022/23 – Reasonable Assurance 1 High, 3 Medium level management actions 1 high, 2 medium actions remain open	Director of People Services	ONGOING Anticipated completion date: May-23
	Contract management (Revenue) (joint review) 2022/23 – Reasonable Assurance 4 Medium level management actions 1 medium action remains open	Chief Digital and Information Officer	ONGOING Anticipated completion date: Jan-24
	Forensic Investigations (joint review) 2022/23 – Reasonable Assurance 2 Low level management actions - complete	ACC Specialist Crime Command	COMPLETE
	Strategic Financial Planning and Budgeting – Capital expenditure (joint review) 2022/23 – Reasonable Assurance 2 Low level management actions - complete	Executive Director of Commercial and Finance	COMPLETE
	Firearms Licensing (joint review) 2022/23 – Reasonable Assurance 4 High, 4 Medium, 1 Low level management actions	ACC Ops Command	COMPLETE
	Service Desk (joint review) 2022/23 – Reasonable Assurance 5 Medium level management actions 2 medium actions remain open	Chief Digital and Information Officer	ONGOING Anticipated completion date: Dec-23

	Operating Systems Management (joint review) 2021/22 – Limited Assurance 13 Medium, 2 Low level management actions 1 medium action remains open	Chief Digital and Information Officer	ONGOING Anticipated completion date: Dec-24
	Agency Staffing (joint review) 2022/23 – Limited Assurance 1 Medium, 4 Low level management actions - complete	Director of People Services	COMPLETE
	Uniform (joint review) 2022/23 – Limited Assurance 1 High, 2 Medium management actions 2 medium actions remain open	Executive Director of Commercial and Finance	ONGOING Anticipated completion date: Sept-23
	IT Resource Management (joint review) 2022/23 – Limited Assurance 5 Medium, 5 Low level management actions - complete	Chief Digital and Information Officer	COMPLETE

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
Balance at 31 March 2022	0	0	2,161,823	2,161,823
Movement in reserves during 2022/23				
(Surplus)/deficit on the provision of services	81,562	81,562		81,562
Other Comprehensive Income / Expenditure	0	0	(856,290)	(856,290)
Total Comprehensive Income and Expenditure	81,562	81,562	(856,290)	(774,728)
Adjustments between accounting basis and funding basis under regulations	(81,562)	(81,562)	81,562	0
Increase or Decrease in 2022/23	0	0	(774,728)	(774,728)
Balance at 31 March 2023	0	0	1,387,095	1,387,095

	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
Balance at 31 March 2021	0	0	2,175,997	2,175,997
Movement in reserves during 2021/22				
(Surplus)/deficit on the provision of services	78,742	78,742		78,742
Other Comprehensive Income / Expenditure	0	0	(92,916)	(92,916)
Total Comprehensive Income and Expenditure	78,742	78,742	(92,916)	(14,174)
Adjustments between accounting basis and funding basis under regulations	(78,742)	(78,742)	78,742	0
Increase or Decrease in 2021/22	0	0	(14,174)	(14,174)
Balance at 31 March 2022	0	0	2,161,823	2,161,823

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

*Capital charges figure in 2021/22 includes a figure of £0.742m for downward PPE Revaluations.

2021/22				2022/23		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
153,750	0	153,750	Police Payroll	153,467	0	153,467
7,084	0	7,084	Police Overtime	7,316	0	7,316
94,039	0	94,039	Staff Payroll	89,840	0	89,840
1,870	0	1,870	Staff Overtime	2,463	0	2,463
1,097	0	1,097	Agency	725	0	725
1,630	0	1,630	Training	1,744	0	1,744
2,863	0	2,863	Other Payroll Costs	5,088	0	5,088
11,214	0	11,214	Premises	11,883	0	11,883
32,286	0	32,286	Supplies & Services	33,741	0	33,741
4,590	0	4,590	Transport	5,571	0	5,571
10,689	0	10,689	* Capital Charges: Depreciation, Amortisation, Impairment (Proxy)	15,220	0	15,220
0	(17,048)	(17,048)	Income for Services provided by The Chief Constable	0	(19,264)	(19,264)
321,112	(17,048)	304,064	Cost of Services	327,058	(19,264)	307,794
0	(269,265)	(269,265)	Intra-Group Funding Transfer		(283,967)	(283,967)
321,112	(286,313)	34,799	Net Cost of Services	327,058	(303,231)	23,827
0	0	0	21 Other Operating Expenditure	0	0	0
51,379	(7,430)	43,949	20 Financing and Investment Income and Expenditure	68,535	(10,793)	57,742
0	(6)	(6)	Taxation and Non Specific Grant Income	0	(7)	(7)
372,491	(293,749)	78,742	(Surplus) or Deficit on Provision of Services	395,593	(314,031)	81,562
	(92,916)	17	Re-measurement of the net defined benefit liability			(856,290)
	(92,916)		Other Comprehensive Income and Expenditure			(856,290)
	(14,174)		Total Comprehensive Income and Expenditure			(774,728)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the reserves. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services. These are referred to as unusable or non-cash backed reserves. This includes reserves for pensions and accumulated absences that recognise the impact of the accounting treatment shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2022		Note	31 March 2023
£000			£000
0	Long Term Investments	17	16,157
0	Long Term Assets		16,157
110	Short-Term Debtors	9	110
110	Current Assets		110
(1,299)	Short-Term Creditors	10	(1,382)
(110)	Provisions	11	(110)
(1,409)	Current Liabilities		(1,492)
(2,160,524)	Other Long-Term Liabilities		(1,401,870)
(2,160,524)	Long Term Liabilities		(1,401,870)
(2,161,823)	Net Liabilities		(1,387,095)
2,161,823	Unusable Reserves	8	1,387,095
2,161,823	Total Reserves		1,387,095

I certify that the Draft Statement of Accounts gives a true and fair view of the financial position of the Chief Constable of Surrey at the accounting date and of the income and expenditure for the year ended 31 March 2023.

Peter Appleton

Executive Director of Commercial and Finance Services/Chief Finance Officer

Date: 28 July 2023

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period.

All cash payments are made from the Police Fund which is held by the Police and Crime Commissioner for Surrey. Similarly all income receipts and funding are received by the PCC during the year. This is why the statement doesn't show any cash transactions for the year.

The financial consequences of the Chief Constable's policing activities included in the table above are included in the net (surplus)/defecit as non-cash movements. These can be seen in the Comprehensive Income & Expenditure Account.

2021/22		2022/23	
£000		£000	
78,742	Net (surplus) or deficit on the provision of services	81,562	
(78,742)	Adjustment to surplus or deficit on the provision of services for noncash movements	(81,562)	
0	Net cash flows from operating activities	0	
0	Net cash flows from investing activities	0	
0	Net cash flows from financing activities	0	
0	Net (increase) or decrease in cash and cash equivalents	0	
0	Cash and cash equivalents at the beginning of the reporting period	0	
0	Cash and cash equivalents at the end of the reporting period	0	

Note 1 - Critical Judgements in Applying Accounting Policies

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions 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 the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

In applying the accounting policies set out in Note 22, the PCC Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The judgements made by the PCC are included in the PCC Group accounts, those relevant to the Chief Constable's finance statements are:

- **Future levels of funding for Local Government** – there is a degree of uncertainty about future levels of funding for Police and Crime Commissioners. However, the Group has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Group might be impaired as a result of a need to close facilities and reduce levels of service provision.
- **Income & Expenditure** – a judgement has been made regarding the recognition of income and expenditure between the Police and Crime Commissioner's and Chief Constable's accounts to reflect financial resources of the PCC consumed at the request of the Chief Constable. The basis adopted for this allocation was determined by the Group in accordance with the subjective activities for each corporate body included in the CIES. In arriving at this approach, interested parties, including senior management in both corporate bodies were consulted and careful consideration given to the Police Reform and Social Responsibility Act 2011 and Home Office guidance. All income/expenditure is received/paid by the PCC, and no actual cash transaction or events take place between the two entities.
- **Comprehensive Income and Expenditure Statement (CIES)** - Under CIPFA guidance the CIES is reported on the basis of organisation structure, reflecting the way in which the organisation operates or manages its services. For Surrey Police the CIES has been set out to show costs subjectively, reflecting the reporting basis for the monthly corporate report that is written for both the Chief Officer Group and the PCC.
- **Working capital** – Working capital has been judged as being attributable in full to the PCC. The PCC controls the treasury management function and all bank accounts, therefore no working capital balances (cash, current debtors and liabilities) are recognised in the Chief Constable's Balance Sheet.
- **Employee benefit accrual for 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. The calculation is based on staff annual leave records and an average cost for each grade.

- **Pensions Actuarial Assumptions** – The value of the liabilities for IAS19 purposes is heavily dependent on assumptions made by the Group’s actuaries, Hymans Robertson and GAD. The financial assumptions reflect market expectations at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pension-in-payment) can have a significant effect on the value of the liabilities reported. A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude. The effect of a change in the net discount rate on the value placed on the liabilities of each scheme is shown in the sensitivity analysis schedule below. There is also uncertainty around the life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in-payment. The mortality assumptions have changed from the previous accounting period to take account of recent mortality experience. Life expectancy is based on the Fund’s VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and long term rates of improvement of 1.5% p.a. for males and females.

- **Pensions Impact of McCloud/Sargeant court of appeal** - The McCloud and Sargeant judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. Under the changes introduced to each scheme, members were required to transfer to the new schemes from the transition date of the new schemes, this was 1 April 2014 for the police staff scheme (LGPS) and 1 April 2015 for the Police pension scheme.

There was protection provided for older members under each scheme known as ‘transitional protection’. The McCloud and Sargeant judgements have upheld the claimants’ cases that the method of implementation of the new schemes discriminated against younger members. The government was refused leave to appeal the McCloud and Sargeant Judgements on 27 June 2019. This means various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes.

In respect of the Police pension schemes, a case management was held in October 2019 resulted in an Order including an interim declaration that claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. The Government later issued a Ministerial Statement on 25 March 2020 that non-claimants would also be treated in the same way. On 16 July 2020, HM Treasury issued a consultation on transitional arrangements for public sector pensions to eliminate discrimination identified via McCloud/Sargeant cases. This meant that members of the pension scheme on or before 31 March 2012 and on or after 1 April to be eligible for the remedy.

On 4 February 2021, HM Treasury issued a response to the consultation confirming remedy arrangement requirements that were set out in the consultation with members being given a choice as to whether they retain benefits from their legacy pension scheme, or their new scheme, during the remedy period of 2015 to 2022 so as not to disadvantage any of those members. This choice will be deferred for

members until retirement which creates further uncertainty of impact for employers. The legacy pension schemes will then be removed from April 2022 and replaced by the new pension schemes originally introduced in 2015 as it was only the transitional arrangements that were found to be discriminatory, not the actual new pension schemes.

IAS 19 pension actuarial reports include these impacts and provide for them within the 2022/23 accounts of the PCC Group for both police and staff pension schemes

Note 2 – Going Concern

Going Concern Section 1 – Underlying Principle

These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future. The Police and Crime Commissioner for Surrey and the Chief Constable of Surrey have assessed going concern and that cash flow requirements can be met for the foreseeable future through funding arrangement.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as policing bodies cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities and policing bodies carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If a policing body were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for the financial statements of a policing body to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that policing services will continue to operate for the foreseeable future. Surrey Police accounts therefore assume that Surrey Police will continue to operate for the foreseeable future.

Police funding is under the remit of the Home Office and last year the Home Office approved a 3 year settlement for Police Bodies. This indicated that an additional £650m in 2023/24 and £800m in 2024/25 would be provided for Policing. In addition, PCC's were told they will have the flexibility to increase Council Tax by up to £10 without incurring a referendum for 2022/23, 2023/24 and 2024/25 so they could plan ahead. In the 2023/24 Police Settlement the PCC flexibility was increased to £15 for 2023/24. This is a good sign that the government is aware of the need for greater certainty over funding and that funding levels are under pressure.

Going Concern Section 2 – Current & Historical Financial Position

The 2023/24 revenue budget was set in February 2023 as a balanced budget of £288.5m. A capital and investment programme budget was also set in February 2023. The capital program for 2023/24, including prior year slippage is £24.1m to be financed by a combination of capital receipts, borrowing and revenue contributions. The capital programme supports investment in the Estate Strategy, Fleet Replacement and Equipment, Information Technology, Regional Schemes, Operations and Change Projects. This is essential to ensure fit-for-purpose services along with delivering revenue savings to balance the budget over the medium term financial plan period to 2025/26.

The Medium Term Financial Strategy forecast was revised as part of the budget setting process and includes an estimated savings requirement totalling £15.7m over the 4 year period of the strategy with £1.6m being required in 2023/24, this has been met from tactical savings. The General Reserves are projected to remain at 3% of net budget which is the minimum level set by the s.151 finance officer. Work is ongoing within the force as part of the Joint Change Programme to identify areas to make savings and/or generate income, with the aim of setting a balanced budget in 2024/25 and beyond.

Going Concern Section 3 – Cash Position

Surrey Police had a cash equivalent balance of £34.1m at 31 March 2023 compared to £27.0m at 31 March 2022. This includes £32.83m held for investment by Surrey County Council available within 24 hours (£25.7m at 31 March 2022). Surrey Police has no long-term non-property investments. Whilst there is uncertainty on income, Surrey Police remains confident in its ability to maintain sufficient cash for its services throughout the medium term and has a borrowing strategy in place to borrow against capital investment as necessity arises. Surrey Police is also able to borrow short term for cash flow purposes if needed.

In a 'stressed' case scenario whereby income is constrained Surrey Police has sufficient levels of reserves and investments that it would not run out of cash in the short-term.

Going Concern Section 4 – Conclusion

As a result of this assessment these accounts have been prepared on a going concern basis, Surrey Police has adequate reserves and a plan to produce a balanced budget in 2024/25.

Note 3 - Events After the Balance Sheet Date

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

The Draft Statement of Accounts was authorised for issue by the Chief Finance Officer on **28 July 2023**. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2022, 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 material non-adjusted events to report.

Note 4 - 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 Chief Constable about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, 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 Chief Constable's Balance Sheet at 31 March 2023 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
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Governments Actuary's Department have been engaged to provide the Group with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme.</p> <p>Pension assumptions now include the impact of 'McCloud/Sargeant' transitional protections for both officer and staff pension schemes to better reflect the Fund's local assumptions, particularly those for salary increases and withdrawal rates. The Fund's actuary also carried out calculations in order to estimate the impact that the Guaranteed Minimum Pension (GMP) equalisation will have on the pension fund liabilities.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the staff scheme pension liability of £42.2m and an increase in the police officer pension scheme pension liability of £575.0m. However, the assumptions interact in complex ways. During 2022/23, the CC's actuaries advised that the net pension liability had decreased in total by £608.0m as a result of revised actuarial assumptions.</p>
Pensions Costs	<p>There are three pension schemes for police officers, the 2006 Police Officer Pension Scheme (NPPS), the Police Pension Scheme (PPS) and the Police Pension Scheme 2015 (2015 scheme); all of which are unfunded, defined benefit schemes. An unfunded scheme treated as a defined benefit scheme has no investment assets to meet its pension liability the Group must generate cash to meet the actual pension payments as they fall due.</p>	<p>The benefits payable are funded by contributions from employers and police officers and any shortfall is met by a top up grant from the Home Office of £13.5m (£12.6m for 2021/22) and other Pension Grant to the PCC. Further details of the schemes can be found in the Police Officer Pension Fund Accounts.</p>

Note 5 -Expenditure and Funding Analysis

2021/22				2022/23			
Net Expenditure Chargeable to General Fund	Adjustments	Net Expenditure in the CIES		Net Expenditure Chargeable to General Fund	Adjustments	Net Expenditure in the CIES	
£000	£000	£000		£000	£000	£000	
97,992	55,758	153,750	Police Payroll	92,160	61,307	153,467	
7,084		7,084	Police Overtime	7,316		7,316	
71,055	22,984	94,039	Staff Payroll	69,585	20,255	89,840	
1,870		1,870	Staff Overtime	2,463		2,463	
1,097		1,097	Agency	725		725	
1,630		1,630	Training	1,744		1,744	
2,863		2,863	Other Payroll Costs	5,088		5,088	
11,214		11,214	Premises	11,883		11,883	
32,286		32,286	Supplies and Services	33,741		33,741	
4,590		4,590	Transport	5,571		5,571	
10,689		10,689	Capital Charges: Depreciation, Amortisation, Impairment (Proxy)	15,220		15,220	
(17,048)		(17,048)	Income	(19,264)		(19,264)	
0	0	0	Rounding			0	
225,322	78,742	304,064	Net Cost of Services	226,232	81,562	307,794	
(225,322)	(0)	(225,322)	Other Income and Expenditure	(226,232)		(226,232)	
0	78,742	78,742	Deficit on Provision of Services	0	81,562	81,562	

*Capital charges in 2022/23 includes a figure of £0.742m for downward PPE revaluations.

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

The table below details the adjustments made to the Total Comprehensive Income and Expenditure Statement recognised by the 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.

2022/2023	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(81,479)	81,479
Holiday pay (transferred to the Accumulated Absences reserve)	(83)	83
Total Adjustments	(81,562)	81,562

2021/2022	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(79,394)	79,394
Holiday pay (transferred to the Accumulated Absences reserve)	652	(652)
Total Adjustments	(78,742)	78,742

Note 7 - Grant Income

Taxation and Non-Specific Grant Income

The Chief Constable credited the following grants to the Comprehensive Income and Expenditure Statement in 2022/23:

2021/22		2022/23
£000		£000
(6)	Non-ringfenced government grants	(7)
(6)	Total	(7)

Grants & Contributions Credited to Services

31 March 2022		31 March 2023
£000		£000
(692)	Counter Terrorism	(792)
(1,400)	HO Police Uplift Programme	(1,847)
(169)	HO Police Uplift Secondments	0
(39)	Collaboration with other Forces	0
(275)	Safer Streets	(534)
0	County Lines	(89)
(479)	Victim Services	(479)
(100)	Cyber Crime	(118)
(352)	Other Grants and Contributions	(101)
(3,506)	Total Specific Grants	(3,960)

Note 8 - Unusable Reserves

31 March 2022		31 March 2023	
£000		£000	
2,160,524	Pension Reserve	1,385,713	
1,299	Accumulated Absences Account	1,382	
2,161,823	Total	1,387,095	

Pension Reserve

31 March 2022		31 March 2023	
£000		£000	
2,174,046	Balance 1 April	2,160,524	
(92,916)	Re-measurements of the net defined benefit (liability)/asset	(856,290)	
134,010	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	132,944	
(54,616)	Employer's pensions contributions and direct payments to pensioners payable in the year	(51,465)	
2,160,524	Balance 31 March	1,385,713	

The Pensions Reserve reflects the timing adjustments arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions [Statutory Instrument No. 2010/454]. Post-employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised in line with inflation assumptions, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the employer makes contribution to pension funds, or eventual payment of any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangement will ensure that funding will have been set aside by the time the benefits come to be paid.

Accumulated Absences Account

31 March 2022		31 March 2023
£000		£000
1,951	Balance 1 April	1,299
(1,951)	Settlement or cancellation of accrual made at the end of the preceding year	(1,299)
1,299	Amounts accrued at the end of the current year	1,382
(652)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	83
1,299	Balance 31 March	1,382

The Accumulated Absences Account reflects 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 2023. Statutory arrangements require that the impact on the General Fund Balance is offset by transfers to mitigate the impact on Council Tax.

Note 9 - Debtors

Debts outstanding at 31 March 2023 are as follows:

31 March 2022		31 March 2023
£000		£000
110	Other Receivable Amounts	110
110	Total	110

This debtor relates to the restructuring provision, representing PCC funding to match provision.

Note 10 - Creditors

Payments due at 31 March 2023 are as follows:

31 March 2022		31 March 2023
£000		£000
(1,299)	Other payables	(1,382)
(1,299)	Total Creditors	(1,382)

This creditor relates to the Accumulated Absences Reserve.

Note 11 - Provisions

Provisions held at 31 March 2023 are as follows:

Current Provisions		
31 March 2022	Restructuring Provision	31 March 2023
£000		£000
(110)	Opening Balance	(110)
0	Increase in provision during year	0
0	Utilised during year	0
(110)	Closing Balance	(110)

Restructuring Provision

The restructuring provision has been created for restructuring costs in accordance with strategic change programmes that have formal plans or supporting business cases as at 31 March 2023. These change programmes are either in the process of being implemented or are planned to be implemented during 2023/24.

Note 12 - Joint Audit Committee

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

Members' Allowances for the Joint Audit Committee are:

Members' Allowances	£1,863.55 per annum
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Chair Allowance	£2,577.50 per annum
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Note 13 - Collaborations

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

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

In 2022/23 the services provided jointly, included the Operations and Specialist Crime departments along with a number of support functions and projects. Each Force accounts for their share of total income and expenditure and assets in the Comprehensive Income and Expenditure Statement and Balance Sheet respectively.

Each Force accounts for their share of total income and expenditure and assets in the Comprehensive Income and Expenditure Statement and Balance Sheet respectively.

The following table illustrates the Surrey share of the collaborated service costs.

Surrey Share 2021/22 £m	Collaboration Area	Surrey Share 2022/23 £m
0.7	Change Delivery	1.0
0.5	Chief Officers	0.4
0.7	Enterprise Resource Planning (ERP)	0.3
1.1	Finance	1.0
0.2	Estates and Facilities	0.6
0.1	Insurance	0.1
9.0	Digital Data and Technology	10.5
1.8	Digital Data and Technology Projects	1.2
0.3	Procurement	0.3
1.3	Transport	4.6
18.2	Operations Department	17.9
0.3	Operations Department Investment Projects	0.1
19.2	Specialist Crime Department	21.5
3.7	People Services	3.7
0.8	Digital Transformation	0.8
0.1	Digital Transformation Investment Projects	0.0
0.4	Professional Standards*	0.4
0.5	Corporate Development	0.3
58.9	Total	64.7

*Previously
Vetting

Note 14 - Officers' Remuneration

The Accounts and Audit Regulations 2015 requires the disclosure of remuneration details for police officers and police staff whose gross remuneration exceeded £50,000. In addition, remuneration details for senior employees, those earning a salary of over £150,000 and those in command of the Chief Constable of Surrey organisation are also required to be disclosed as 'Remuneration Paid to Senior Employees'.

Remuneration is defined, by the regulations, as all sums subject to income tax, including expenses, but excluding employer pension contributions. This includes payments of accrued overtime, as well as annual increments, allowances, bonuses and pay awards. There are a small number of employees included that are seconded to other agencies. These costs are fully recovered.

The table below shows the numbers of police officers and police staff with remuneration in excess of £50,000. This table excludes the senior employee positions shown separately.

No. Employees 31-Mar-22	CC Gross Remuneration £	No. Employees 31-Mar-23
378	50,000 to 54,999	472
206	55,000 to 59,999	273
135	60,000 to 64,999	145
31	65,000 to 69,999	47
12	70,000 to 74,999	17
15	75,000 to 79,999	14
7	80,000 to 84,999	11
9	85,000 to 89,999	8
8	90,000 to 94,999	8
4	95,000 to 99,999	6
0	100,000 to 104,999	1
0	105,000 to 109,999	0
1	110,000 to 114,999	0
0	115,000 to 119,999	1
0	120,000 to 124,999	0
2	125,000 to 129,999	0
0	130,000 to 134,999	2
1	135,000 to 139,999	1
0	150,000 to 154,999	1
1	155,000 to 159,999	0
0	180,000 to 184,999	1
810	Total	1008

Remuneration for Senior Officers with the responsibility for the management of Surrey Police were:							
			2022/2023				
Position	Position Start Date	Position End Date	Salary, Fees & Allowances	Employers Pension Contribution	Benefit in kind	Annual Leave not yet taken	Total Remuneration
			£	£	£	£	£
Police Officers							
Chief Constable (G Stephens)	20/01/2019	31/03/2023	180,029	48,129	1886		230,044
Deputy Chief Constable	23/09/2019		139,869	39,546		492	179,907
Assistant Chief Constable	07/10/2019		133,337	37,302			170,639
Assistant Chief Constable	16/12/2019		132,758	37,302			170,060
Chief Superintendent	01/04/2021		94,026	28,443	3233		125,702
Chief Superintendent	09/06/2014		97,188	27,199		343	124,730
Chief Superintendent	14/10/2019		97,015	28,786			125,801
Chief Superintendent	16/12/2019		96,297	28,786	4441		129,524
Chief Superintendent	01/05/2022		85,952	25,058			111,010
Police Staff							
Head of Corporate Communications	16/07/2018		80,744	12,477		37	93,258
Chief Information Officer	01/07/2021		150,366	23,260		-	173,626
TOTAL CHIEF CONSTABLE			1,287,581	336,288	9560	343	1,634,301

Remuneration for Senior Officers with the responsibility for the management of Surrey Police were:							
			2021/2022				
Position	Position Start Date	Position End Date	Salary, Fees & Allowances	Employers Pension Contribution	Benefit in kind	Annual Leave not yet taken	Total Remuneration
			£	£	£	£	£
Police Officers							
Chief Constable (G Stevens)	20/01/2019		157,836	47,517	6740		212,093
Deputy Chief Constable	23/09/2019		138,260	39,202			177,462
Assistant Chief Constable	07/10/2019		128,266	35,868			164,134
Temporary Assistant Chief Constable	16/12/2019		127,140	35,464			162,604
Chief Superintendent	01/04/2021		90,959	27,323	3779		122,061
Chief Superintendent	09/06/2014		95,829	20,707	3771	352	120,659
Chief Superintendent	02/01/2018	31/01/2022	87,242				87,242
Chief Superintendent	14/10/2019		96,010	28,888			124,898
Chief Superintendent	16/12/2019		93,731	28,039	4618	88	126,476
Police Staff							
Head of Corporate Communications	16/07/2018		77,597	12,014			89,611
Chief Information Officer	01/07/2021		95,047	14,542		-	109,589
TOTAL CHIEF CONSTABLE			1,187,917	289,564	18908	440	1,496,829

In line with the Trade Union (Facility Time Publication Requirements) Regulations 2017 the Chief Constable of Surrey Police has an obligation to report annually on paid time off provided to trade union representatives for trade union duties and activities. The following details relate to 2022/2023. There were 13 employees (11.56 full time equivalents) who were union officials during the period 1st April 2022 to 31st March 2023. Two representatives spent 100% of their working hours on facility time and the other eleven spent less than 50%. The total cost of this facility time was £105,787.02 which represents 0.12% of the total pay bill and 3.39% of the total paid facility time in hours was spent on paid trade union activities.

Exit Packages

The 2022/23 Code requires disclosure of the number and cost of exit packages agreed, including:

- Number of packages agreed (in bands of £20k up to £100k and £50k thereafter)
- Analysis between compulsory redundancies and “other” agreed departures
- Total cost for each band

Exit Packages				
Total number of exit packages by cost band	Total cost of exit packages in each band (£)	Exit cost band(including special payments)	Total number of exit packages by cost band	Total cost of exit packages in each band (£)
2021/22	2021/22		2022/23	2022/23
1	3,901	£0-£20,000	1	13,265
1	31,358	£20,001-£40,000	1	30,492
1	43,542	£40,001-£60,000	1	42,324
1	190,280	£150,000-£200,000	0	0
4	269,081	TOTAL	3	86,081

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

Note 15 - External Audit Costs

The Chief Constable incurred the following costs in relation to the audit of the Statement of Accounts services provided by external auditors to the Chief Constable:

2021/22		2022/23
£000		£000
31.9	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	25.0
(2.3)	PSAA Refund	0.0
5.6	19/20 additional EY fee PSAA approved	0.0
0	20/21 additional EY fee PSAA approved	36.7
0	Adjustment to Standard EY fees 21/22	(18.8)
35.2	Total	42.9

Note 16 - Related Parties

The Chief Constable is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by the Chief Constable. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable might have constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable.

The Chief Executive of the Police and Crime Commissioner for Surrey has written to all Chief Officers of the Chief Constable to collect this information on behalf of the Group. Responses were received from all recipients of the letter and the following related party transactions are disclosed for the 2022/23 year in respect of the Chief Constable.

Legal services were provided to the Surrey Police Group of circa £1,795,033 (2021/22 £1,693,906) by Weightmans LLP Solicitor in the normal course of business during the year, Ms Hannah Walsh (Solicitor to the Surrey Police Group from 1 April 2017) is employed by Weightmans LLP.

Central Government has effective control over the general operations of Chief Constable as it is responsible for providing the statutory framework within which the Chief Constable operates and provides the majority of funding to the Group. Grants received from Central Government by the Group are set out in the Police and the Crime Commissioner for Surrey Group accounts 2022/23.

Note 17 - Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Chief Constable 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 Chief Constable participates in separate pension schemes for police staff and police officers:

- **The Local Government Pension Scheme (LGPS) for police staff employees**, administered locally by Surrey County Council – this is a funded defined benefit scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Up to 31 March 2014 the scheme was based on final salary but from 1 April 2014 the scheme has been based on career average.
- **The Police Pension Schemes for police officers** – these are 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 2023 have been produced by actuaries. The following transactions reflect the total charges in the Chief Constable's Comprehensive Income and Expenditure Statement. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments for those benefits and to disclose them at the time the employee earns them.

McCloud / Sargeant judgement

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

The McCloud and Sargeant judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. Under the changes introduced to each scheme, members were required to transfer to the new schemes from the transition date of the new schemes, this was 1 April 2014 for the police staff scheme (LGPS) and 1 April 2015 for the Police pension scheme.

There was protection provided for older members under each scheme known as 'transitional protection'. The McCloud and Sargeant judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members. The government was refused leave to appeal the McCloud and Sargeant Judgements on 27 June 2019. This means various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes.

In respect of the Police pension schemes, a case management was held in October 2019 resulted in an Order including an interim declaration that claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. The Government later issued a Ministerial Statement on 25 March 2020 that non-claimants would also be treated in the same way. On 16 July 2020, HM Treasury issued a consultation on transitional arrangements for public sector pensions to eliminate discrimination identified via McCloud/Sargeant cases. This meant that members of the pension scheme on or before 31 March 2012 and on or after 1 April to be eligible for the remedy.

On 4 February 2021, HM Treasury issued a response to the consultation confirming remedy arrangement requirements that were set out in the consultation with members being given a choice as to whether they retain benefits from their legacy pension scheme, or their new scheme, during the remedy period of 2015 to 2022 so as not to disadvantage any of those members. This choice will be deferred for members until retirement which creates further uncertainty of impact for employers. The legacy pension schemes will then be removed from April 2022 and replaced by the new pension schemes originally introduced in 2015 as it was only the transitional arrangements that were found to be discriminatory, not the actual new pension schemes.

IAS 19 pension actuarial reports include these impacts and provide for them within the 2022/23 accounts of the PCC Group for both police and staff pension schemes.

2021/22			2022/23		
CC LGPS	Police Officers	Total	CC LGPS	Police Officers	Total
Comprehensive Income and Expenditure Statement					
Cost of Services					
CC LGPS £000	Police Officers £000	Total £000	CC LGPS £000	Police Officers £000	Total £000
29,955	59,930	89,885	26,750	48,320	75,070
176	0	176	132	0	132
(7,430)	0	(7,430)	(10,793)		(10,793)
12,069	39,310	51,379	15,575	52,960	68,535
34,770	99,240	134,010	31,664	101,280	132,944
Total charged to Surplus and Deficit on Provision of Services					
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement					
£000	£000	£000	£000	£000	£000
(20,493)	0	(20,493)	16,109		16,109
(4,263)	8,020	3,757	33,749	109,220	142,969
(2,984)	0	(2,984)	(2,825)	(39,880)	(42,705)
(46,376)	(26,820)	(73,196)	(249,763)	(722,900)	(972,663)
(74,116)	(18,800)	(92,916)	(202,730)	(653,560)	(856,290)
Total charged to Surplus and Deficit on Provision of Services					
(39,346)	80,440	41,094	(171,066)	(552,280)	(723,346)
Total charged to the Comprehensive Income and Expenditure Statement					

2021/22				2022/23		
CC LGPS	Police Officers	Total		CC LGPS	Police Officers	Total
Movement in Reserves Statement						
£000	£000	£000		£000	£000	£000
(34,770)	(99,240)	(134,010)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(31,664)	(101,280)	(132,944)
11,416	43,200	54,616	Employers' contributions payable to scheme	11,416	40,000	51,416
(23,354)	(56,040)	(79,394)	Total movements between accounting and funding basis	(20,248)	(61,280)	(81,528)

2021/22			Pensions Assets and Liabilities Recognised in the Balance Sheet	2022/23		
CC LGPS	Police Officers	Total		CC LGPS	Police Officers	Total
£000	£000	£000		£000	£000	£000
(555,314)	(1,994,150)	(2,549,464)	Present value of the defined obligation	(375,115)	(1,401,870)	(1,776,985)
388,940	0	388,940	Fair value of plan assets	391,272	0	391,272
(166,374)	(1,994,150)	(2,160,524)	Net (liability) / asset arising from the defined benefit obligation	16,157	(1,401,870)	(1,385,713)

2021/22			Movements in the Value of Scheme Assets	2022/23		
CC LGPS	Police Officers	Total		CC LGPS	Police Officers	Total
£000	£000	£000		£000	£000	£000
358,772	0	358,772	Opening fair value of scheme assets	388,940	0	388,940
7,430	0	7,430	Interest income	10,793		10,793
			Re-measurement gain / (loss):			
20,493	0	20,493	- The return on plan assets, excluding the amount included in the net interest expense	(16,109)		(16,109)
11,416	43,200	54,616	Contributions from employer	11,465	40,000	51,465
(5,621)		(5,621)	Other Experience			0
3,744	9,370	13,114	Contributions from employees into the scheme	3,784	10,570	14,354
0	230	230	Transfers in	0	40	40
(7,294)	(52,800)	(60,094)	Fair value of plan assets	(7,601)	(50,610)	(58,211)
388,940	0	388,940	Net (liability) / asset arising from the defined benefit obligation	391,272	0	391,272

2021/22			Movements in the Value of Scheme Liabilities	2022/23		
CC LGPS	Police Officers	Total		CC LGPS	Police Officers	Total
£000	£000	£000		£000	£000	£000
(575,908)	(1,956,910)	(2,532,818)	Opening balance at 1 April	(555,314)	(1,994,150)	(2,549,464)
(29,955)	(59,930)	(89,885)	Current service cost	(26,750)	(48,320)	(75,070)
(12,069)	(39,310)	(51,379)	Interest cost	(15,575)	(52,960)	(68,535)
(3,744)	(9,370)	(13,114)	Contributions from scheme participants	(3,784)	(10,570)	(14,354)
			Remeasurement gains and losses:			
9,884	(8,020)	1,864	- Actuarial gains / (losses) experience:	(33,749)	(109,220)	(142,969)
2,984	0	2,984	- Actuarial gains / (losses) from changes in demographic assumptions	2,825	39,880	42,705
46,376	26,820	73,196	- Actuarial gains / (losses) from changes in financial assumptions	249,763	722,900	972,663
(176)	0	(176)	Past service cost	(132)		(132)
0	(230)	(230)	Transfers in	0	40	40
7,294	52,800	60,094	Benefits / transfers paid	7,601	50,610	58,211
(555,314)	(1,994,150)	(2,549,464)	Net (liability) / asset arising from the defined benefit obligation Liabilities	(375,115)	(1,401,790)	(1,776,905)

LGPS – Pension Scheme – Assets comprised of:
Fair value of scheme assets

2021/22		2022/23	
CC		CC	
	£000		£000
	EQUITY SECURITIES		
6,804	Consumer	6,144	
5,425	Manufacturing	5,129	
1,206	Energy and Utilities	1,967	
4,514	Financial Institutions	6,958	
4,646	Health and Care	6,085	
12,171	Information Technology	8,619	
0	Other	0	
34,766	Subtotal EQUITY SECURITIES	34,902	
	DEBT SECURITIES		
12,945	UK Government	0	
12,945	Subtotal DEBT SECURITIES	0	
	PRIVATE EQUITY		
38,222	All	55,410	
38,222	Subtotal PRIVATE EQUITY	55,410	
	REAL ESTATE		
15,518	UK Property	14,390	
8,290	Overseas Property	9,188	
23,808	Subtotal REAL ESTATE	23,578	
	INVESTMENT FUNDS & UNIT TRUSTS		
228,386	Equities	227,869	
42,599	Bonds	42,364	
270,985	Subtotal INVESTMENT FUNDS & UNIT TRUSTS	270,233	
	DERIVATIVES		
(1,575)	Foreign Exchange	(1,043)	
(1,575)	Subtotal DERIVATIVES	(1,043)	
	CASH and CASH EQUIVALENTS		
9,788	All	8,192	
9,788	Subtotal PRIVATE EQUITY	8,192	
1	Rounding		
388,940	Total Assets	391,272	

The significant assumptions used by the actuary have been:

2021/22	LGPS	2022/23
Long term expected rate of return on assets		
7.7%	EQUITY SECURITIES	-1.4%
7.7%	DEBT SECURITIES	-1.4%
7.7%	PRIVATE EQUITY	-1.4%
7.7%	REAL ESTATE	-1.4%
7.7%	INVESTMENT FUNDS & UNIT TRUSTS	-1.4%
7.7%	DERIVATIVES	-1.4%
Mortality assumptions - current pensioners		
22.3	Men	21.5
24.9	Women	24.5
Mortality assumptions - future pensioners		
23.1	Men	22.5
26.3	Women	26.1
Financial assumptions		
3.2%	Rate of inflation	3.0%
4.1%	Rate of increase in salaries	4.0%
3.2%	Rate of increase in pensions	3.0%
2.8%	Rate for discounting scheme liabilities	4.8%

Investment returns have remained stable and this results in a small increase of £1.99m compared to a prior year increase of £16.9m on the 'Return on assets excluding amounts included in net interest expense' line within the Balance Sheet movements in the Value of Scheme Assets table.

2021/22	Police Officer Schemes	2022/23
Mortality assumptions		
Longevity at retirement for 65 year old current pensioners		
22.1	Men	21.9
23.8	Women	23.5
Longevity at retirement for 45 year old future pensioners at 65		
23.8	Men	23.5
25.4	Women	25.0
Other assumptions		
3.0%	Rate of inflation	2.6%
4.8%	Rate of increase in salaries	3.9%
3.0%	Rate of increase in pensions	2.6%
2.7%	Rate for discounting scheme liabilities	4.7%

2021/22		2022/23
Increase by 0.5%	LGPS	Increase by 0.5%
CC £000		CC £000
6,535	Rate of increase in salaries	3,915
58,040	Rate of increase in pensions	38,855
(65,020)	Rate for discounting scheme liabilities	(42,150)

Impact of assumptions on the police pension fund obligation:

2021/22		2022/23
Increase by 0.5%	Police Officers	Increase by 0.5%
£000	Assumption	£000
24,000	Rate of increase in salaries	85,000
189,000	Rate of increase in pensions	565,000
(208,000)	Rate for discounting scheme liabilities	(575,000)
Increase by 1 year	Police Officers	Decrease by 1 year
£000	Assumption	£000
68,000	Longevity	36,000

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

The cost of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The liabilities show the underlying commitments that the Chief Constable has in the long run to pay retirement benefits. The total liability of £1.386m has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet, resulting in a negative overall balance of £1.386m. However statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

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

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

Note 18 - Contingent Liabilities

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Group at 31 March 2023, they exclude potential costs where the liability is not yet established and/or the amounts are uncertain.

At 31 March 2023, the Chief Constable had no contingent liabilities.

Note 19 - Contingent Assets

The Chief Constable has no contingent assets to disclose at 31 March 2023.

Note 20 - Financing and Investment Income and Expenditure

2021/22		2022/23	
£000		£000	
0	Interest payable and similar charges	0	
43,949	Net interest on the net defined benefit liability (asset)	57,742	
43,949	Total	57,742	

Note 21 - Accounting Policies

General Principles

The Statement of accounts summarises the organisation's transactions for the financial year and its position at the year-end of 31 March. The organisation is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

The Financial Statements (Statement of accounts) included here represent the accounts 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.

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.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current asset and financial instruments.

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.
- **Understandable** – to ensure that the Statement of Accounts produced can be understood by readers who have a reasonable knowledge of business and economic activities.
- **Relevance** – to ensure that the information provided about the 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 2021/22.

Income and Expenditure Recognition

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

Revenue is recognised when goods are delivered and title has passed. The provision of services contains many accounting aspects and revenue is only recognised when all related work has been completed or when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC and

group. Whilst all income is received by the PCC and all expenditure is paid for by the PCC including wages of police staff and officers, the actual recognition in the respective Police and Crime Commissioner and Chief Constable Accounts is based on economic benefit.

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

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

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

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

The above recognition policy complies with IFRS 15 *Revenue from Contracts with Customers*.

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.

Events after the Balance Sheet

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

Jointly Controlled Operations and Jointly Controlled Assets

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Activities undertaken in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the PCC/Group recognises the following as a joint operator:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

Debts Outstanding

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

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

and PCC's CFO up to a maximum of a cumulative value of £50,000 in any one financial year. The PCC will approve where appropriate the writing off of debts in excess of the CFOs delegated authority.

Reserves

The Chief Constable maintains certain reserves to manage the accounting processes for non-current assets, retirement benefits and other employee benefits. These reserves do not represent usable resources for the Chief Constable or the Group.

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

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

Overheads and Support Services

The costs of overheads and support services are charged to the Comprehensive Income and Expenditure Statement in accordance with the CC/Group arrangements for accountability and financial performance.

Provisions and Contingent Liabilities

Provisions

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

Contingent Liabilities

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

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

A single VAT return is submitted on behalf of the Group. The Chief Constable does not submit a separate VAT return.

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, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. 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, resulting in holiday benefits being charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits / Exit Packages

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate an employee's employment before the normal retirement date or an employee'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 employee or group of employees 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.

Long-term employee benefits - Pension arrangements

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

- The Police Pension Scheme (PPS), regulated under the Police Pensions Act 1976
- The New Police Pension Scheme (NPPS), regulated under the Police Pension Regulations 2006

- The Police Pension Scheme 2015 (the 2015 scheme)
- The Local Government Pensions Scheme (LGPS), administered by Surrey County Council

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

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

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

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

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

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

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

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

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

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

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

Discretionary Benefits

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

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

Note 23 - Accounting Standards issued but not yet adopted

A number of future accounting policy changes will need to be reported with effect from 1 April 2023.

Paragraph 3.3.2.13 of the 2022/23 code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

Paragraph 3.3.4.3 requires an authority (including police bodies) to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. Disclosure requirements are expected to be included in a subsequent edition of the Code.

Paragraph 3.3.4.3 and Appendix C of the Code adapt IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* on an annual basis to limit the impact of standards that have been issued but not yet adopted to those listed in Appendix C of the Code in the relevant year of account.

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- IFRS 16 Leases will be adopted in 2024/25 when implantation is mandatory (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year, which doesn't therefore apply to this set of police accounts).
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is not expected that any of these amendments other than IFRS 16 will have a material impact on the information provided in the financial statements for any of the Surrey Police group accounts.

Police Pensions Fund Account Statements as at 31 March 2023

These statements show the contributions and benefits payable for the year

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

Surrey Police Pension Fund Account Statement

As at March 2022			As at March 2023	
£000	£000		£000	£000
(23,730)		Contributions Receivable	(24,704)	
(504)		From Employer:	(347)	
(10,179)		- Normal	(10,626)	
		- Early Retirements		
		From Members		
	(34,413)			(35,677)
	(323)	Transfers In		
		Individual Transfers in From Other Schemes		(38)
	(34,736)	Total Inflows		(35,715)
40,706		Benefits Payable	42,470	
5,431		Pensions	6,106	
117		Commutations and Lump Sums	112	
642		Lump Sum Death Benefits	253	
	46,896	Lump Sum Ill-health Benefits		48,941
411		Payments To and On Account of Leavers	185	
6		Refund of Contributions	51	
	417	Individual Transfers Out To Other Schemes		236
	47,313	Total Outflows		49,177
				0
	12,577	Net amount payable for the year from the Group (equal to deficit amount)		13,462
	(12,577)	Additional contribution from the Group to fund the deficit for the year *		(13,462)
	0	Net Amount Payable for the Year		0

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

Police Pension Fund Net Assets Statement

2021/22	Net Current Assets And Liabilities	2022/23
£000		£000
0	Current Assets:	0
0	Contributions due from the PCC	0
	Recoverable overpayments of pensions	
	Current Liabilities:	
0	Unpaid pensions benefits	0
0	Surplus for the year owing to the PCC	0
0	Net Assets / (Liabilities)	0

Police Pension Funds - Notes

Accounting Policies

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

Explanatory Notes to the Police Pension Fund Account Statements

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

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

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

There are currently three Police Officer pension schemes. Officers in the 'old scheme' currently contribute between 14.25% and 15.05% depending upon level of basic annual salary (prior to 1 April 2012 officers in the 'old scheme' contributed 11% of pensionable pay). Officers in the 'new scheme' currently contribute between 11.0% and 12.75% depending upon level of basic annual salary (prior to 1 April 2012 officers in the 'new scheme' contributed 9.5% of earnings or 6% if ineligible for ill-health benefits). From 1 April 2015 the Police Pensions Scheme 2015 came into effect and all current active members were transferred to this scheme – with the exception of those qualifying for protections allowing them to remain in their current scheme. Officers contribute between 12.44% and 13.78% depending on their basic salary. The Chief Constable makes an employer's contribution of 31% of pensionable pay. Employee's and Employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department. The Police Pension scheme has no assets to cover its liabilities, therefore the total payments to pensioners in any year must be paid for by current officer and employer contributions.

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

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

Liabilities to pay future pension benefits have been disclosed separately at Note 17 in accordance with IAS 19 'Employee Benefits'.

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

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

Glossary of Accounting Terms

This section explains key terms and specialist financial language used in the Statement of Accounts

ACCRUAL

An accrual is a liability for expenditure relating to goods and services that have been received or supplied but are not invoiced until the following financial year.

ACCRUED INCOME

Income earned in the financial year which has not yet been received.

ACTUARIAL GAINS AND LOSSES (PENSIONS)

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.

ASSET

Tangible or intangible resources owned by the force and which have future economic value that can be measured and can be expressed in pounds.

CC

Chief Constable

CIPFA

The Chartered Institute of Public Finance and Accountancy is one of the professional accountancy bodies in the UK. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services. More details can be found on the CIPFA website: www.cipfa.org.uk

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CODE

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and the Service Reporting Code of Practice, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Regulations. More details can be found on the CIPFA website: www.cipfa.org.uk

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 defined benefit scheme is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

DEFINED CONTRIBUTION SCHEME

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

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.

EXPENSE

Money spent or cost incurred by the force to police and protect the county, representing the cost of policing.

GOING CONCERN

The concept that the organisation 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.

IAS19

International Accounting Standard 19 (IAS19) for Employee Benefits sets out the accounting treatment and disclosure for employee benefits and pensions.

IFRS

International Financial Reporting Standards

INCOME

Income is money (or some equivalent value) that the force, usually receives in exchange for providing a police service.

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, the PCC Group is 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.

JOINT AUDIT COMMITTEE (JAC)

The JAC is an independent Joint External Audit Committee of the Surrey Police and Crime Commissioner and the Chief Constable of Surrey providing a key component of corporate governance arrangements for both corporations sole.

LAAP

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting and Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but are not prescriptive and do not have the formal status of the Code or Prudential Code.

LIABILITY

An obligation that legally binds an individual or company to settle a debt.

NET OPERATING EXPENDITURE

The total net expenditure before financing from Central Government grants or local Council Tax and before the movements shown in the Statement of Movement on the General Fund Balance.

PAST SERVICE COSTS (PENSIONS)

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.

PCC

Police and Crime Commissioner

POLICE GRANT

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

PROJECTED UNIT METHOD (PENSIONS)

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:

- 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 dependents, allowing where appropriate for future increases; and
- 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:

- one party has direct or indirect control of the other party, or
- the parties are subject to common control from the same source, or
- 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
- 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.

RESERVE

An amount set aside for a specific purpose and carried forward to meet expenditure in future years. General reserves represent accumulated balances which may be used to support future spending. Earmarked reserves are those reserves set aside to meet specific policy purposes.

REVENUE BUDGET

The Revenue Budget estimates annual income and expenditure requirements, and sets out the financial implications of the PCC Group policies and the basis of the annual precept to be levied on collection funds.

SCHEME LIABILITIES (PENSIONS)

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
- purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

SONIA (Sterling Overnight Index Average)

SONIA is the effective reference overnight rate for unsecured transactions in the Sterling market. SONIA is now the key reference rate for most market transactions, effectively replacing LIBOR.

TOTAL NET EXPENDITURE

Total net spending requirement after deducting specific grants and other local income is financed by Central Government grants and local Council Tax.