



OFFICE OF THE POLICE &  
CRIME COMMISSIONER FOR  
**SURREY**



# **THE POLICE AND CRIME COMMISSIONER FOR SURREY AND THE CHIEF CONSTABLE OF SURREY GROUP**

**DRAFT**

**Statement of Accounts for the year 2022/23**

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## Preface

### **Lisa Townsend – Police and Crime Commissioner for Surrey**

2022/23 marks my second year as the Police and Crime Commissioner (PCC) for Surrey. During the year I have been out and about meeting not only staff and officers across the Force but also local residents, businesses and representatives from the third sector. I am continually amazed by the level of dedication and professionalism exhibited by everyone who works in the Force and the efforts they put in to keeping us all safe.

My role as the PCC for Surrey is one of the 41 elected Police and Crime Commissioners across England and Wales. We are elected to ensure that the public's policing priorities and concerns are acted upon and to ensure the Chief Constable provides effective and efficient policing across the county.

This involves holding the Chief Constable to account for local policing issues, as set out in the Police and Crime Plan, but also ensuring that Surrey Police meets its strategic policing requirement in areas such as serious organised crime and terrorism. During the year I monitor the plans the Force has in place on behalf of the Surrey public through public and private performance meetings.

In addition to holding the Chief Constable to account, I seek to help prevent and reduce crime by working with and funding a range of community safety and criminal justice partners. Funding is also provided to support victims and witnesses through a range of different providers. My office has also been successful in bidding for additional funding for initiatives such as Safer Streets, to not only reduce crime itself, but also importantly to address the fear of crime.

Surrey residents continue to be very supportive of their local police with over 84% of people surveyed saying they have confidence in their local neighbourhood police. Surrey residents have repeatedly said how they wish to have a more visible police presence on our streets, and I am pleased to say that as a result of the Government's Uplift program to recruit 20,000 officers over 3 years, Surrey, at the 31<sup>st</sup> March 2023, had 2,325 officers - the highest number ever. Over the next year I am interested to understand what impact these officers will have in Surrey, so as to put the case to Government for further investment in Policing.

Last year I launched my Police and Crime Plan covering the period from 2021 to 2025 which was firmly based on the priorities that residents told me they felt were the most important such as the safety of our local roads, tackling anti-social behaviour

and ensuring the safety of women and girls in our communities which I have strongly championed during my two years in this post. Progress and activities against these priorities is set out below:

### ***Reducing Violence against Women and Girls in Surrey***

I am committed to tackling all forms of violence against women and girls and my office has been working closely with Surrey Police, partner agencies and local charities to shine a spotlight on the inappropriate behaviours of some men, to hold perpetrators firmly to account for their actions and to ensure the best possible support is in place for victims of these horrific crimes.

#### **Key progress during 2022/23:**

##### Winner of Tilley Awards 2022

In October 2022, Surrey Police won the annual Tilley Award, set up by the Home Office in 1999 to celebrate problem-oriented projects that have achieved success in resolving issues faced by the police, partners and/or the community. The award was in recognition of work undertaken to ensure the safety of women and girls using the Basingstoke Canal in Woking, following a number of indecent exposures and suspicious incidents since 2019. Using £175,000 secured by the OPCC, the police, local authority and the Canal Authority have:

- Installed new CCTV cameras to cover the length of the towpath;
- Invested in electronic bikes, allowing officers and volunteers from Canal Watch to patrol the path more effectively.
- Cut down overgrown shrubbery to improve visibility and allow more room for users of the canal to safely pass each other.
- Begun to remove graffiti along the canal, making the area a nicer place to be.
- Invested in signage which promotes early reporting of suspicious incidents, which is due to be installed in the coming weeks.

##### Additional £1million to tackle Violence Against Women and Girls

In October 2022 my office secured almost £1million in Government funding to provide a package of support for young people to help combat violence against women and girls in the county. The sum, granted by the Home Office's 'What Works Fund', will be spent on a series of projects designed to build self-confidence in children with the aim of enabling them to live safe and fulfilled lives. At the heart of the new programme is specialist training for teachers delivering Personal, Social, Health and Economic (PSHE) education at every school in Surrey via the Government's Healthy Schools scheme, which aims to improve the health and wellbeing of pupils. This funding is in addition to the £1.4 million of additional funding secured by the office during 2021/22.

### New Domestic Abuse & Stalking Perpetrator Schemes

Complementing local provision for victims, my office introduced a set of new domestic abuse and stalking perpetrator programmes, designed to work with offenders to address problematic and inappropriate behaviours and reduce the risk of further offending. Both Surrey Police and wider partners are now able to refer individuals into these services, and the stalking programme is ensuring that Surrey Police is well placed to meet its duties under the Stalking Protection Act 2019.

### Partnership Work

Beyond our commissioning activity, the OPCC has been working closely with partner organisations involved in Domestic Homicide Reviews and Safeguarding Adult Reviews to ensure that staff across all local agencies have a better understanding of the factors that lead to deaths and are better placed to prevent reoccurrences. This coordinated approach is supporting focused work with older victims, the development of training to improve the ability of staff to identify and escalate risk, and improved engagement with community and faith groups.

### Teacher training to tackle violence against women and girls

Schools in Surrey were recently invited to apply for a new teacher training programme, commissioned and funded by my office. The programme, which commenced in March, aims to give teachers the skills to build self-confidence in children, with the aim of enabling them to live safe and fulfilled lives. It comes after my team secured almost £1million from the Home Office's 'What Works Fund' to help combat violence against women and girls in Surrey.

At the heart of the programme is new specialist training for teachers delivering Personal, Social, Health and Economic (PSHE) education, supporting Surrey County Council's Healthy Schools approach. Teachers will join key partners from Surrey Police and domestic abuse services for three days of training, which will address effective teaching and learning in PSHE. The funding will cover all programme materials and certification, training venues within Surrey, and lunch and other refreshments. Participating schools will also receive £180 a day towards supply cover for the full three days.

### Commissioner unites partners to highlight role of abuse in homicide

In December, I welcomed 390 participants to a sobering webinar on domestic abuse, homicide and victim support. The webinar included talks from experts such as Professor Jane Monckton-Smith of the University of Gloucestershire, who spoke about the ways in which all agencies can recognise the links between domestic abuse, suicide and homicide, in order to improve the

support provided to survivors of abuse and their families before harm escalates. Participants also heard from Dr Emma Katz of Liverpool Hope University, whose ground-breaking work highlights the impact of perpetrators' coercive and controlling behaviour on mothers and children.

The seminar is part of a series of events led by my office, focused on strengthening Domestic Homicide Reviews (DHR) that are carried out to identify learning to prevent new homicides or suicides in Surrey. It complements the embedding of a new process for Reviews in Surrey, with the aim that every organisation understands the role they play.

### ***Protecting people from harm in Surrey***

Crime and fear of crime can have a long-lasting detrimental impact on a person's health and wellbeing. I am committed to doing everything possible to protect children and adults from harm, placing a firm focus on understanding the experiences of victims and practitioners, listening to their voices and ensuring that feedback is acted upon.

#### **Key progress during 2022/23:**

##### Better support for victims

I continue to support the development of the Surrey Police Victim and Witness Care Unit, ensuring that all victims of crime in Surrey have access to high-quality support and advice. The Unit makes proactive contact with around 50,000 victims of crime annually and OPCC staff have worked with Surrey Police to introduce new dedicated Fraud Case Workers and a Stalking Advocate, providing immediate specialist advice with no need for onward referrals to external agencies.

##### New Support for Young People

Just before Christmas I signed a three-year contract worth £390,000 with charity Catch22 to launch a new service for young people at risk of or affected by criminal exploitation in Surrey. The new service offers a combination of creative workshops and tailored one-to-one support to help individuals address the root causes of their vulnerability and ultimately remove themselves from unhealthy situations.

##### Agreement of 2023/24 Budget

In February, I took the difficult decision to increase the policing element of council tax by 5% for 2023/24. The was to ensure that Surrey Police can continue to protect frontline services, enabling policing teams to tackle those issues important to the public.

### Officer Uplift

Despite a challenging recruitment market, Surrey Police met the Government's Officer Uplift targets. Future funding is contingent on these number being maintained. Uplift has delivered the highest number of officers ever for Surrey and assisted in ensuring that our officers reflect more closely the community it polices in terms of gender and ethnic mix.

### Tackling Mental Health Demand

Working with colleagues at Surrey Police, we are collaborating across policing and partners to ensure that policing demand due to mental health concerns is appropriately managed. Ultimately, this is about supporting those people the police encounter in crisis and diverting them into appropriate services, with emergency powers only being used when necessary.

Police officers are often not the best professionals to deal with these incidents, especially after the initial attendance. Unfortunately, we have seen significant increases in the number of S136 Mental Health Act detentions and the amount of time it takes for police to handover to appropriate mental health services. As the national lead for PCCs on mental health, I have sought to build a consensus to develop a national partnership between Policing and Health incorporating the principles of the "Right Care, Right Person model". This goal is to ensure that that police are not viewed as the primary responder for mental health related incidents but rather a more health-led response model is put in place through improved partnership working.

### Police Dog Animal Welfare Scheme

My team launched a new project in late 2022 dedicated to the welfare of police dogs in Surrey. A number of volunteers drawn from Surrey's existing Independent Custody Visiting (ICV) programme – also run by the OPCC - will now make regular visits to the kennels at Mount Browne, Guildford. They will observe, comment and report on the condition and welfare of police dogs, as well as the conditions under which they are housed, trained, transported, and deployed. Independent reports will be submitted to my office after each visit. The scheme is supported by the National Police Chiefs' Council (NPCC), which upholds it as an example of 'good practice' for forces.



## ***Working with Surrey communities so that they feel safe***

I am committed to ensuring all residents feel safe in their local communities. By working together and intervening early to address the common factors that bring people into contact with the police and the criminal justice system, we can reduce crime, anti-social behaviour and help to improve outcomes for individuals and the wider community.

### **Key progress during 2022/23:**

#### Improving Burglary Outcomes

In February the I raised concerns over the solve rate of burglaries with the Chief Constable, which at the time was averaging 3.5% across the county. Following a huge effort from the Force, great strides have been made in improving the response to burglary which is now being reflected in performance data. The 12-month rolling average has now increased to 6.6%, with monthly performance reaching over 28% in August.

#### More Officers & Staff

Surrey Police have continued to deliver on its commitment to recruit more police officers and staff, investing in key areas such as Neighbourhood Policing Investigation Teams and the rural crime team. This has been an enormous undertaking for the Force against a complicated national backdrop, but progress is being made and momentum maintained.

#### Community Safety Assemblies

Recognising that community safety is not just a policing matter and that all local agencies need to work collectively to address resident concerns, I have established a bi-annual Community Safety Assembly - bringing together key stakeholders to set strategic aims, address resident concerns and resolve challenges in delivering safer and healthier communities across Surrey.

#### Tackling ASB

The PCC's office has a key role to play in the Community Trigger process in the county which is powerful tool to help with persistent ASB problems. It also funds a number of projects including a mediation service which includes a victim coaching service and a number of activities for young people in the county to divert them from criminality. The Joint Enforcement Teams,

or JETs, that were set up in a various part of the county thanks to PCC funding also have an important role to play in tackling ASB across Surrey. I marked Anti-Social Behaviour Awareness Week by signing a commitment to continue working closely with partners to tackle issues in Surrey's communities.

In March 2023, I launched a county-wide survey on the impact and understanding of anti-social behaviour in Surrey. It comes as the County's ASB partnership looks to boost the service that residents receive from the different agencies that are involved when they report an issue. The survey is an important way of making sure residents' views remain at the heart of the work of we do with partners – while capturing a fresh picture of the problems that communities in Surrey are facing in 2023. It will provide valuable data that will be used to hone services and raise crucial awareness of the different routes for reporting ASB and the support that is available to those affected.

### Serious Violence Duty

In July 2019, in response to the national rise in violence, the Government committed to a programme of work to prevent and reduce serious violence: taking a multi-agency approach to understand the causes and consequences of serious violence, focusing on prevention and early intervention, and informed by evidence. The Serious Violence Duty aims to ensure that agencies focus their activity on reducing serious violence whilst also providing sufficient flexibility so that the relevant organisations will engage and work together in the most effective local partnership for any given area. The Duty requires the specified authorities to collaborate and plan to prevent and reduce serious violence.

Police and Crime Commissioners are strongly encouraged to take on a role as lead convener for the local partnership arrangements for the Duty, in order to support the development and implementation of the local strategy. My office will also administer funding for the Duty to the specified authorities and monitor progress.

Initial work towards implementation of the Serious Violence Duty has commenced, and this will be a core strand of work for the OPCC in the financial year ahead.

### ***Strengthening the relationship between Surrey Police and Surrey residents***

My aim is for all residents to feel that their police force is visible in tackling the issues that matter to them and that they can engage with Surrey Police when they have a crime or anti-social behaviour problem or need other police support.

### Community Meetings:

The Deputy Police and Crime Commissioner and I have been visiting communities around the County to discuss the policing issues that matter most to residents. These range from Parish, Borough and District Councils to residents' groups, community groups and other interested parties. It is always interesting to hear residents' perspectives on what can be done to make the relationship between the police and our communities even better.

### Youth Commission:

The Deputy Crime Police and Commissioner is very keen to understand in more detail the needs and concerns of young people. To this end a Youth Commission was established and is working through a list of priorities drawn up from consultations with the young people of Surrey. The group, funded by the my office, will help shape the future of crime prevention in the County.

At the inaugural meeting on 21 January, chaired by the Deputy Police and Crime Commissioner, members aged between 14 and 21 developed a list of crime and policing issues that mattered to them and affected their lives. Mental health, drink and drug awareness, road safety and relationships with the police were highlighted. Over the course of coming meetings, members will choose the priorities they want to work on before consulting with 1,000 other young people across Surrey. Their findings will be presented in a final conference during the summer.

### Launch of Performance Hub:

I believe that residents should have access to key performance data about Surrey Police. My office has therefore developed an online Performance Hub to provide the public and stakeholders with convenient access to data in a format that can be easily understood, helping to improve transparency and confidence in local policing.

### ***Ensuring safer Surrey roads***

Surrey is home to some of the busiest stretches of motorway in the UK with significant numbers of vehicles using the county's road network every day. Road safety is understandably a significant concern for Surrey residents, and a key focus of my Police and Crime Plan.

## **Key progress during 2022/23:**

### Tackling the Fatal Five

Surrey police are establishing a new policing team dedicated to cutting the driving offences that lead to the most death on Surrey roads. Known as “the fatal five offences”, the new team will be focusing on combatting careless driving, drink and drug driving, not wearing a seatbelt, using a mobile phone and speeding. The first wave of officers are now in place and the I will continue to monitor progress.

### New funding for Safe Drive Stay Alive:

In November I announced a new wave of funding for a long-standing initiative aimed at keeping the county’s youngest drivers safe. The OPCC has committed to spending more than £100,000 on Safe Drive Stay Alive until 2025. The scheme highlights the dangers of drink and drug-driving, speeding, and looking at a mobile phone while at the wheel. Young audiences hear from frontline personnel serving with Surrey Police, Surrey Fire and Rescue Service and the Ambulance Service, as well as those who have lost loved ones and drivers who have been involved in fatal road traffic collisions.

I hope you can see that significant progress has been made in a number of my Police and Crime Plan priorities and further work will be done to advance these in the period up to 2025.

During the year, I have also worked hard to hold the Chief Constable to account for delivery of the Police and Crime Plan and performance of the Force and put in place a governance framework to discharge this duty. The main part of this framework is the holding of six-weekly meetings where the Chief Constable formally reports on progress against the Police & Crime Plan and other strategic issues. This is supplemented by workshops and one-to-one discussions between Chief Constable, myself and other senior officers, when required.

These meeting are of two types and held alternately. One, the Resources and Efficiency meeting, is a private meeting to allow detailed scrutiny of resources and efficiency plans as well as sensitive performance issues. The other, the Accountability and Performance Meeting, is webcast for the public and partners to view and is focused on performance and areas of public interest.

I chair both these meetings and am supported by my Chief Executive, Chief Finance Officer and other members of staff from the OPCC as appropriate. The Chief Constable and Deputy Chief Constable always attend supported by additional staff as required.

In March 2023, I said farewell to Chief Constable Gavin Stephens who is moving on to be chair of the National Police Chiefs Council. He has served in Surrey for over 25 years, and I really appreciated his knowledge and support when I was elected in May 2021. I wish him every success in the future in his new role. Following an exhaustive recruitment process it gave me great pleasure to appoint Tim De Meyer as the next Chief Constable for Surrey. Tim brings a wealth of experience from Thames Valley Police and the Metropolitan Police Service and offers a new perspective for Surrey. I look forward to working with him on the challenges we have ahead and ensuring we remain one of the safest areas in the country where not only do we keep residents safe but that they also feel safe as well.

I often say people focus on the 'Police and Crime' aspect of the role but not so much on the commissioning side which is such an incredibly important part of what a PCC does. Over the last year my office has awarded over £4million to projects and services which help survivors of domestic abuse and sexual violence as well as supporting local projects in our communities which help tackle issues such as anti-social behaviour and rural crime.

Finance is obviously fundamental to everything we do. These financial statements set out how the Force and the Office of the Police & Crime Commissioner have performed financially during the year. I am pleased to note that the Group has come in under budget despite the pressures and demands it has faced.

My thanks go to all those who work for Surrey Police for their efforts and achievements over the last year in keeping our communities as safe as possible. This includes all the volunteers, charities, and organisations we have worked with and my staff in the Office of the Police and Crime Commissioner for their support and advice over the last year. Finally, I would like to thank the finance team for putting these financial statements together, not an easy task, and ensuring that they were published by the required deadline.

**Lisa Townsend**  
**Police and Crime Commissioner for Surrey**

## Narrative Report

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and sets out the overall financial position of the Police and Crime Commissioner for Surrey and the Group Accounts for the year ending 31 March 2022. The accounts have been prepared using the International Financial Reporting Standards (IFRS), in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

The Statement of Accounts aims to provide information so that members of the public, including electors and residents of Surrey, partners and stakeholders can:

- Understand the overarching financial position of the PCC (and the 'PCC Group' including Surrey Police).
- Have confidence that the PCC has spent public money wisely and has been accounted for in an appropriate manner.
- Be assured that the financial position of the PCC (and Group) is sound and secure

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years. The information contained within these accounts is presented as simply and clearly as possible, but by their nature are both technical and complex.

This narrative report aims to help readers better understand the role of the PCC, and to assist in understanding and interpreting the accounts through an explanation and overview of the financial performance and activities during 2022/23.

### **1. Explanation of the PCC and Group**

The Police & Crime Commissioner (PCC) and the Chief Constable are established as separate legal entities or "Corporation Sole" bodies.

The PCC was elected in May 2021 for a period of 3 years. This was one year shorter than usual due to the 2021 election being delayed as a result of the Covid pandemic. The PCC is there to secure the maintenance of an efficient and effective police force and to hold the chief constable to account for the exercise of his functions and those of persons under his direction and control.

The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services in the Surrey Police area. Mr. Gavin Stephens resigned as Chief Constable effective from the 1<sup>st</sup> April 2023 to take up a position as chair of the NPCC. Following an extensive recruitment process by the PCC Mr. Tim De Meyer was appointed Chief Constable in April 2023.

This set of accounts focuses on those discrete activities which the PCC is directly responsible for, such as commissioning services for victims and witnesses of crime, as well as the "PCC Group" which includes all aspects of operational policing under the direction and control of the Chief Constable.

The Chief Constable has produced a separate set of accounts which explains how the resources provided by the PCC have been used to deliver operational policing services.

The Net Revenue Budget for the Group for 2022/23 was £279.1 million, of which £3.3 million was retained by the PCC for the services it provides.

## **2. Introduction to Surrey**

Surrey is a county in the Southeast 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 (notable flooding risk); the county is 73% greenbelt. Surrey borders the UK's busiest two airports. It is the most densely populated county in Southeast England with a population of 1.2 million. The county borders London and prior to Covid many residents commute to the capital for work and in return residents of the capital travel to Surrey for recreation. Surrey contains many areas of outstanding natural beauty and is home to major sporting events – in particular the Epsom Derby which is the country's largest one-day sporting event attracting over 100,000 racegoers each year.

Surrey Police delivers a number of services in collaboration with other Police Forces across the south east of England. The PCC and Force are also part of a joint working arrangement with Sussex PCC and Sussex Police for the provision of professional support services including finance, human resources, facilities management, ICT and across all four organisations. Internal audit is provided in partnership with Hampshire County Council.

## **3. The Police and Crime Commissioner (PCC)**

The core functions of the PCC for Surrey are to secure the maintenance of the police force for the area and to ensure that the police force is efficient and effective. Other key functions include:

- Holding the Chief Constable to account
- Appointment / suspension / removal of the Chief Constable
- Setting the priorities for the Force and producing the Police and Crime Plan
- Attending the Police and Crime Panel
- Setting of the annual budget and Council Tax precept
- Direct engagement with the public
- Publishing an annual report stating how priorities and targets have been met, and other information as specified by the Secretary of State to enable greater public awareness of police and crime performance in the area
- Collaborating for an efficient and effective Criminal Justice System for Surrey with partners such as the Youth Offending Team, Crown Prosecution Service and Prison Service etc.

The Commissioner is ultimately accountable to the electorate via the ballot box. A Police and Crime Panel (PCP) is also established under the Police Reform and Social Responsibility Act 2011 and is charged with scrutinising and supporting the work of the Commissioner. The Panel, however, cannot hold the Chief Constable to account.

The PCP's core functions include:

- To review the draft Police and Crime Plan.
- To publicly scrutinise the Commissioner's Annual Report.
- To review and scrutinise decisions and actions of the Commissioner.
- To review and have the power to veto the Commissioner's proposed Council Tax precept levels.
- To review the Commissioner's Conduct – If the Commissioner is charged with a minimum of a 2-year imprisonable offence the PCP can suspend the Commissioner and make a report to the Independent Police Complaints Commission, however they cannot remove the Commissioner.
- To confirm the Chief Constable's appointment.
- To appoint an acting Commissioner, if required.

The Police and Crime Panel work have set up a separate Finance Group to review the budget prior to precept setting.



The PCC has established a Joint Audit Committee with the Chief Constable. Its purpose is to provide independent advice on the adequacy of the corporate governance and risk management arrangements in place and the associated control environment, advising according to good governance principles and proper practices. More specifically, this includes the following terms of reference: -

- Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances
- Review the Annual Governance Statements (AGS) prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement
- Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC and the SC
- Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC and the CC in addressing risk-related issues reported to them
- Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions
- Review anti-fraud arrangements (including whistleblowing procedures) and the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy actions and resources
- Further consideration and advice in relation to Internal Audit, External Audit, Financial Reporting, Partnership Governance and Accountability Arrangements.

The Commissioner's vision and priorities for policing and community safety across Surrey for the period from 2021 to 2025 is set out in the Police and Crime Plan. This was launched in 2021 after an extensive consultation and has 5 themes as follows:

- Preventing violence against women and girls in Surrey
- Protecting people from harm in Surrey
- Working with Surrey communities so that they feel safe
- Strengthening relationships between Surrey Police and Surrey residents
- Ensuring safer Surrey roads

A full version can be found on the Surrey OPCC website at <https://www.surrey-pcc.gov.uk/plan/> and an assessment as to how the PCC and Force is progressing on these objectives is included in the Preface to these accounts.

#### 4. Role of the Chief Finance Officer

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

#### 5. The PCC and Group's Financial Performance

##### Revenue Budget 2022/23

In February 2023, the Commissioner approved funding for a net revenue budget for 2022/23 for the Group of £279.1m, an increase of £17.4m on the previous year. This is shown in the table below:

<b>2021/22 £m</b>	<b>Police Funding</b>	<b>2022/23 £m</b>
105.1	Home Office Police Grants	111.5
9.2	Council Tax Grants	9.2
2.0	Police Officer Pension Grant	2.0
1.3	Operation Uplift Grant	1.7
<b>117.6</b>	<b>Total Central Support</b>	<b>124.4</b>
143.3	Council Tax Precept	150.8
(1.0)	Collection Fund surplus/deficit	0.2
1.8	General Reserves	3.7
<b>144.1</b>	<b>Total Local Funding</b>	<b>154.7</b>
<b>261.7</b>	<b>Total Group Funding</b>	<b>279.1</b>

## Revenue Expenditure Outturn

The financial performance of the group over the year is set out below and more detail is shown in the accounts which follow.

## PCC Controlled Expenditure

PCC Controlled costs are split between "Operational Costs" - those required pay for the PCC, her office, staff, and governance and "Commissioned Services" - which relate to services commissioned to support victims, communities and prevent crime.

The Office of the PCC outturn against budget for the year was:

<b>2022/23</b>	<b>PCC Outturn</b>		
<b>Category</b>	<b>Actual £m</b>	<b>Budget £m</b>	<b>Variance £m</b>
PCC Operational Costs	1.33	1.45	(0.13)
PCC Commissioned Services (net)	1.60	1.80	(0.19)
<b>Net PCC Budget/Outturn</b>	<b>2.93</b>	<b>3.25</b>	<b>(0.32)</b>

In respect of Commissioned services during the year almost £4.8m was given out and ringfenced funding of £3.2m was received from Government, including an additional £1.8m which was bid for and received in year. OPCC Operational costs represent less than 0.5% of group total group expenditure.

This underspend resulted from a number of factors such as new staff not been in post for the whole year, legal and other advice not required and commissioned services which were going to be funded by the PCC but were then funded by Government. The underspend has been transferred to reserves.

## PCC Group Level

The following table provides a high level comparison between the approved budget for 2022/23 and actual expenditure at the Group Level (i.e. PCC and Chief Constable), and shows at a Group level an overall underspend for the year of £3.2m against a budget of £279.1m.

<b>Outturn 2022/23</b>	<b>Actual £m</b>	<b>Budget £m</b>	<b>Variance £m</b>
<i>Police Payroll</i>	129.6	134.6	(5.0)
<i>Police Overtime</i>	6.6	5.0	1.6
<i>Staff Payroll</i>	75.8	78.3	(2.5)
<i>Staff Overtime</i>	2.3	1.1	1.2
<i>Other employee costs</i>	4.4	5.4	(1.0)
<i>Agency and temporary staff</i>	0.7	0.5	0.2
<i>Training and other costs</i>	4.2	4.2	0.0
Total Employee Costs	223.6	229.1	(5.5)
Premises	12.2	12.0	0.2
Transport	5.9	4.9	1.0
Supplies and Services	37.6	40.0	(2.4)
Financing	18.1	8.0	10.1
Income and Grants	(21.5)	(14.9)	(6.6)
<b>Net Group Expenditure</b>	<b>275.9</b>	<b>279.1</b>	<b>(3.2)</b>

**Explanation of main variances is as follows:**

Police Payroll	- phasing of recruitment was slower than budgeted and difficulty in filling posts
Staff Overtime	- additional overtime required to cope with staff vacancies
Agency costs	- temporary staff required to cover for staff vacancies
Supplies and Services	- Underspend on Consultancy on ERP project
Financing	- Increase in transfer to Earmarked Reserves as detailed in note 7
Income and Grants	- A greater achievement in a number of areas: Local Policing, Specialist Crime and Victims Grant

A detailed analysis of actual expenditure for the year ended 31 March 2023 is shown in the Comprehensive Income and Expenditure Statement (CIES) within these financial statements. This CIES measures the financial performance for the year in terms of resources consumed over the period and the funding provided to finance these resources. The accounting basis used for the CIES is different to the statutory basis used to calculate net expenditure to be funded from local taxation in the form of council tax, as it includes non-cash elements.

The total net expenditure shown in the CIES 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. 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.

The following table reconciles Group operational expenditure for 2022/23 to the position reported in the CIES by showing how management accounts are adjusted for accounting regulations and other statutory adjustments to arrive at the deficit on provision of services as reported in the Comprehensive Income and Expenditure Statement.

	2022/23		
	CC £m	PCC £m	Group £m
<b>Total Actual net Expenditure per revenue outturn report 2021/22</b>	<b>272.9</b>	<b>2.9</b>	<b>275.8</b>
<b>Reserve and Provision transfers excluded from (Surplus)/Deficit on Provision of Services:</b>			
Financial year end accounting adjustments	(4.0)	0.3	(3.7)
<b>Amounts in the CIES not in the outturn report:</b>			
Capital Charges: Depreciation, Amortisation, Impairment (Proxy)	15.2	0.0	15.2
Pensions	23.6	0.0	23.6
<b>Net Cost of Services</b>	<b>307.7</b>	<b>3.2</b>	<b>310.9</b>
Intra-group Adjustment from PCC to CC for resources consumed at the request of the Chief Constable	(283.9)	283.9	0.0
Pension Interest costs and expected return on pension assets	57.8	0.1	57.9
Other interest payable and interest receivable	0.0	(0.6)	(0.6)
Levies & other operating expenditure	0.0	0.7	0.7
Taxation and non-specific grant income	(0.0)	(291.7)	(291.7)
<b>(Surplus)/Deficit on the provision of services</b>	<b>81.6</b>	<b>(4.4)</b>	<b>77.2</b>
(Surplus) on revaluation of Property, Plant and Equipment	0.0	(83.2)	(83.2)
(Surplus) on revaluation of Equity Investment	0.0	(0.0)	(0.0)
Re-measurement of the net defined benefit liability/asset	(856.3)	(3.4)	(859.7)
<b>Total Comprehensive Income and Expenditure</b>	<b>(774.7)</b>	<b>(91.0)</b>	<b>(865.7)</b>

## Capital Expenditure

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 and servers and development of mobile emergency services network.

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:

<b>Capital Summary</b>	<b>2022/23 Total Budget £m</b>	<b>2022/23 Spend £m</b>	<b>Variance £m</b>
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
<b>Total</b>	<b>15.6</b>	<b>9.0</b>	<b>(6.6)</b>

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:

<b>Source of Funding</b>	<b>Capital Financing £m</b>
Other Grants and Income	0.9
Capital Receipts	0.7
Revenue Funding	7.4
<b>Total</b>	<b>9.0</b>

Further details of capital expenditure and financing for the year are shown in attached financial statements.

## **6. Outlook – Medium Term Financial Strategy**

### **Budget 2023/24**

#### Revenue

The revenue and capital budget for 2023/24 and Medium-Term Financial Strategy were approved by the Police and Crime Commissioner in February 2023 and published on the PCC's website.

The revenue budget for 2023/24 at the Group level is £288.5m, as shown in the table below.

<b>Budget 2023/24</b>	<b>£m</b>
Government Grant	(126.6)
Council Tax Precept	(160.6)
Collection Fund	(1.2)
Reserves	(0.1)
<b>Total Funding</b>	<b>(288.5)</b>
PCC Controlled Budget	3.3
Surrey Constabulary Budget	285.2
<b>Total Expenditure Budget</b>	<b>288.5</b>

The amount of funding raised through Council Tax is based on the maximum precept increase of £15 permitted by the Government without a referendum, and approved by the PCC on the request of the CC. This generated a further £8.8m to offset increasing costs and prevent any impact on services.

The Budget assumed that savings of £1.6m will be delivered in the year and this has already been achieved.

### Police Officer Uplift

Nationally the Government made a commitment to fund an uplift in police officer numbers by 20,000 nationally over the 3-year period 2020/21 – 2022/23 by way of a ring-fenced grant. By the 31<sup>st</sup> March 2023 Surrey had exceeded its allocation of 259 officers giving a total number of officers of 2,325. For 2023/24 full Uplift funding is contingent on a baseline of 2,253 officers being maintained during the year.

### Capital

The capital program for 2023/24, including slippages from prior years, amounts to £14.4m. Of this almost £5m relates to the new Estates including the new HQ, £6.1m for vehicles. £2.5m for ICT including ERP with the remainder operations, and change. This will be funded by a combination of Capital receipts and both internal and external borrowing.

### Medium Term Financial Strategy

The Medium-Term Financial Strategy (MTFS) was prepared in February 2023 as part of the budget setting work and then refreshed in April 2023 for the period 2024/25 – 2026/27. It was done on the assumption that the PCC will be able to increase the Police element of the council tax precept (Band D) by 2% per annum from 2024/25 onwards and that the Government Grants will not increase at all. It also assumed that pay would be 2% per annum, in line with the CSR assumptions, and inflation would fall back to 2%.

This resulted in indicative savings being required of £6.2m, £3.5m, and £4.4m for the 3 years in the forecast. Assuming these savings are delivered and based on these assumptions the MTFS shows a balanced budget position for the years to 2026/27.

The MTFS is refreshed on an ongoing basis during the year as information is available, which recalculates the level of savings. To give some context every increase of 1% in staff and officer pay adds approximately £2.5m to costs and consequently to savings.



## **7. Investment**

The Commissioner has an investment portfolio consisting of reserves and short-term cashflows (including on-call cash investments). This is managed by Surrey County Council on behalf of the Commissioner. At the end of the year there were investments of £32.773m and investments over the year generated an interest return of £0.905m for the year.

Interest rates increased during the year from 0.75% in April up to 4.25% by the end of the year. This has generated more income from investments but is also likely to result in higher borrowing costs for major projects, such as the new HQ Building, when they commence. However, interest rates may fall once inflation is brought under control.

## **8. Borrowing**

The Prudential Code allows the Commissioner to borrow money as long as it is prudent, affordable and sustainable. The Commissioner did not take out any external new loans during the year and the bulk of the capital programme was funded through a combination of capital grant, capital receipts and revenue transfers.

## **9. Employee Pension Schemes**

The PCC Group operates two separate pension schemes, one for Police Officers and another for Police Staff.

Police officers pay contributions of between 11.0% and 15.05% and Surrey Police pay an employer contribution rate of 31%. A specific grant of £2m towards pension costs was also received in 2022/23 to assist in funding the employer contributions.

Overall, the net pension liability on the Police Officer Pension Scheme has increased by £592.4m from £1,994.1m at 31 March 2022 to £1,401.8m at 31 March 2023.

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 last triennial valuation was completed in April 2022. It is not known yet if employers contributions will need to be increased.

Overall, the net pension liability on the Staff Local Government Pension Schemes for the Group decreased by £185.5m from £173.6m on 31 March 2022. Which meant there was an asset on the Balance Sheet instead of a liability of £16.5m at 31 March 2023.

The Commissioner's net pension liability is included in the balance sheet in accordance with accounting standards including an estimate of the impact of the McCloud judgment that concluded the transitional provisions introduced to the reformed judges and firefighter's pension schemes in 2015 gave rise to unlawful age discrimination. The actuary has modelled the assumed remedy in their assessment of future liabilities.

Although benefits from these schemes will not be payable until an officer or staff member retires, the PCC Group has a future commitment to make these payments and under International Accounting Standard 19 (IAS 19), the PCC Group is required to account for this future commitment based on the full cost at the time of retirement. The result of accounting for this commitment has a substantial impact on the net worth of the Balance Sheet, resulting in a negative pension reserve on the Balance Sheet totaling £1401.9m on 31 March 2023 (2021/22: £2,163m). However, statutory arrangements for funding the deficit mean that the financial position of the PCC Group remains healthy.

## **10. Reserves**

The requirement for reserves is covered in sections 32 and 43 of the Local Government Finance Act 1992, which require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Earmarked reserves remain legally part of the general fund but are accounted for separately. All usable reserves are held by the Commissioner.

Reserves are set out in the table below as well as in the notes to the financial statements later in this document

Usable Reserves	<b>Balance at 31 March 2022</b>	<b>Actuarial Changes</b>	<b>Use of Reserve</b>	<b>Underspend for 2022/23</b>	<b>Balance at 31 March 2023</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><i>Usable Reserves</i></b>					
General Fund	8.063		0.067	0.695	8.825
Chief Constable Reserve	1.071				1.071
Rounding					0.001
<b>Total General Fund Reserves</b>	<b>9.134</b>	<b>0.000</b>	<b>0.067</b>	<b>0.695</b>	<b>9.897</b>
<b><i>Earmarked Reserves</i></b>					
OPCC Operational Reserve	1.234				1.234
PCC Estates Strategy Reserve	3.200		1.178		4.378
Cost of Change Reserve	3.164		2.000	0.398	5.562
Ill Health/Injury Reserve	0.756		(0.147)		0.609
Covid-19 Reserve	2.098		(2.098)		0.000
Insurance Reserve	1.881	0.031			1.912
Delegated Budget Holder Reserve			5.100		5.100
Net Zero Reserve			1.661		1.661
Chief Constable Reserve for OP Pheasant			0.450		0.450
<b>Total Earmarked Reserves</b>	<b>12.333</b>	<b>0.031</b>	<b>8.144</b>	<b>0.398</b>	<b>20.906</b>
<b><i>Capital Reserves</i></b>					
Capital Receipts Reserve	0.000				0.000
Capital Grants Unapplied	3.969		(0.095)		3.874
<b>Total Capital Reserves</b>	<b>3.969</b>	<b>0.000</b>	<b>(0.095)</b>	<b>0.000</b>	<b>3.874</b>
<b>Total Usable Reserves</b>	<b>25.436</b>	<b>0.031</b>	<b>8.116</b>	<b>1.093</b>	<b>34.677</b>

Further details can be seen in Balance Sheet and the associated notes.

The level of available revenue balances, earmarked reserves and general reserves held by the PCC has increased slightly during the year from £21.467m to £30.802m. This represents around 7.7% of the Group's 23/24 annual budget of £288.5m. General Reserves are £9.9m or just over 3.0% of the annual budget for 2023/24 – this puts Surrey towards the lower end of reserves nationally.

## **11. Uncertain Future Events**

### Inflation and the wide economic situation

Inflation fell back to just over 10% in March 2023 following a peak of 11.1% in October 2022, a 40 year high. This has been driven by international events as well as weaknesses in the national economy. It is difficult to say what the long-term impact of this will be on the OPCC finances however increases in costs are being felt and the pressure on pay (and recruitment) is increasing. 80% of costs for the Group relate to salaries and the results of the pay review body will make a real difference. Each 1% on pay adds £2.5m to costs which is equivalent to 0.8% of the budget or £5 on Council Tax. Fuel costs and energy had increased significantly but prices are falling back at the moment. However, contracts linked to RPI, such as for software licenses, are experiencing high increases. The Bank of England has stated that the current level of inflation is only temporary and that rates should fall back quite quickly – but even if this is the case historical increases will still be included within costs.

The force engaged consultants to look for further efficiencies in the way it provides services. This came up with a number of proposals which are now being worked through however the ability to deliver the levels of savings required is still very challenging without impacting services

### Going Concern

Both the Police and Crime Commissioner and the Constabulary are established by statute and as such can only be dissolved through an Act of Parliament. The PCC has in theory unlimited tax raising powers by way of a precept (although this may be subject to a local referendum depending on the trigger set by Government) and this funding is what ultimately funds more than half the costs of the Force.

Whilst the level of future Government funding is not known history shows that funding changes, particularly reductions, are phased in rather than being presented a cliff edge. This gives time for organisations to take steps to reduce their expenditure, even if it is at the expense of services, in order to fit within the funding envelope presented. Unlike a number of public sector bodies, such as local authorities, the Force and PCC do not have a great deal of exposure to the Commercial market and are

reliant on Government grant and Council Tax for virtually all of their funding – both of which are reasonably stable funding streams. The Force is also able to call upon additional funding from the Home Office to cope with significant unbudgeted operation costs due to a local emergency – this has been evidence recently with the additional funding given to cope with the additional costs of the Covid pandemic. It is also a reasonable expectation that given the public security role of the Police the Government would support any Force experiencing financial difficulties – although this has not been put to the test as yet. Hence overall the risk of the PCC or the Force becoming insolvent and therefore being unable to provide services is remote.

The Medium-Term Financial Strategy which covers the next 4 years, based on a number of assumptions in respect of funding and service costs, indicates that potentially £17m of savings will be required over this period. Steps are being taken to identify these through efficiencies and collaboration rather than service cuts – however this would be possible as a last resort however unpalatable that may be. In addition, the Force also hold reserves to enable delays in the delivery of savings to be covered should the need arise.

Hence taking all these factors into account and in line with the recently published SGN01 (Going Concern – Auditors’ responsibilities for local public bodies) there is no reason to assume that both the Surrey Police and Crime Commissioner and Surrey Constabulary will not continue to operate for the foreseeable future and that therefore the accounts can be presented on a going concern basis.

## **12. Non-Financial Performance against priorities**

The Force performance so far against the Police and Crime Plan is set out in the OPCC Annual Report published on the OPCC website. The Force also published performance data on a regular basis

### **Collaboration**

The majority of services within the Support Services functions are collaborated including; Procurement, Insurance, Transport, People Services, Information & Communication Technology, and Finance. It is likely that the savings work being done to look at how both Forces can operate more efficiently may suggest additional areas for collaboration. This though would only happen if the outcome were at least the same of better that that at the moment.

Surrey Police also works closely with regional and national partners in order to share best practice and realise efficiencies. Examples include SEROCU which focuses on cross border organised and Blue Light, of which the PCC is a Director, which seeks

to procurement savings by purchasing jointly. Surrey's outgoing Chief Constable Mr. Gavin Stevens was also the NPCC representative for finance for the period covered by these financial statements and this gave him the opportunity to influence Government Policy at the highest levels.

### **Financial Excellence**

The Force has signed up for AFEP3 (Achieving Financial Excellence – sponsored by CIPFA) which seeks to upskill staff, increase financial awareness, share good practice and improve financial resilience across the sector.

### **New Force Headquarters**

The current HQ has been on its existing site for over 100 years. Although it had been added to over the years parts are in urgent need of upgrading and a lot of it was not compatible with the demands of policing in the 21<sup>st</sup> century. Hence in 2019 a site was purchased for a new Force HQ and detailed work was then undertaken to assess what the new HQ could deliver and its potential cost. As a result of Covid working practices have changed and what was appropriate in 2019 was not necessarily appropriate now. To that end external professionals were commissioned to undertake a complete review of the project, both financially and operationally, before work commenced. The outcome of this was that not only could the new HQ be accommodated on the old HQ site, but it could also be built in phases and elements refurbished. This reduced the cost compared to a total new build and so the decision was taken in December 2021 to keep the HQ on its existing site.

Work is currently being undertaken to achieve planning permission and draw up designs as per RIBA standards. The objective of the new HQ remains not only to maximize the operational and financial benefits but also for it to be environmentally sustainable. Key worker housing for new officers continues to be a key element of the development but will be dependent on planning and the financials. The project is proceeding quickly however given the current economic situation any plan is likely to go through further iterations before a final solution is arrived at.

### **Enterprise Resource Planning Solution:**

In 2016 the three forces (Surrey, Sussex, and Thames Valley) took a decision to work collaboratively to jointly develop a new Enterprise Resource Planning (ERP) system to improve the way they do business and help improve efficiency. However due to the complexity of the task and delays in its delivery the decision was taken in 2021 to terminate the project.

In order to stabilize the ERP systems in both Surrey and Sussex contractors have been appointed to upgrade both systems individually. Once this has been completed the Forces will look into the possibility of having a joint collaborated system. This however is unlikely before 2024/25.

### **13. The Statement of Accounts**

The Police Reform and Social Responsibility Act 2011 established the Police and Crime Commissioner and the Chief Constable as separate entities (known as 'corporations sole'). As separate bodies, both the Commissioner and the Chief Constable are required to appoint their own Chief Finance Officers, each with statutory responsibilities, as being the person responsible for proper financial administration under the provisions of the Act. A consequence is also that each body is required to be subject to audit under the Local Audit and Accountability Act 2014 and are thus required to prepare a set of accounts. Additionally, the Commissioner, with his ultimate control over the Chief Constable's resources, has to prepare group accounts.

The Home Office has produced a Financial Management Code of Practice (FMCP) which sets out the responsibilities of the respective Chief Finance Officers. This was updated by the Home Office in 2018. The FMCP outlines how the two bodies should work together in managing the finances and covers such things as the Scheme of Corporate Governance which includes the Scheme of Consent, Financial Regulations and Contract Standing Orders and delegation which identifies the powers and responsibilities of each CFO.

All the financial transactions incurred during 2022/23 for policing Surrey have been recognised and recorded within this Statement of Accounts, which sets out the overall position of the PCC and the PCC Group for the year ending 31 March 2023. Where the Group position differs from the PCC position this is made clear in the statements and notes. Separate statutory accounts are prepared for the Chief Constable.

The 2022/23 Financial Statements which follow this narrative report, have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 based on International Financial Reporting Standards issued by Chartered Institute of Public Finance & Accountancy (CIPFA) and comprise of:

#### **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 the year on the different reserves, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves.

### **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 accrual's 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).

### **Balance Sheet**

This shows the value of the assets and liabilities held 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 PCC and PCC Group during the reporting period. The statement shows how the PCC and PCC Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

### **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.

### **Governance**

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

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).



#### **14. Significant changes in accounting policies**

There have been no significant changes in accounting policies in the year.

#### **15. Signing of Accounts by the Chief Finance Officer**

At the time of publication of these draft accounts the audit of the accounts for 2021/22 has not been completed. This is due to resourcing issues within the external auditor resulting in delays in the audit process. This delay means the period to consider post balance sheet events remains open for longer thereby increasing the number of events for the auditor to consider before closing the audit. At the moment the auditor is reconsidering pension and property valuations included within the 2021/22 financial statements to ascertain whether there has been a material change requiring a change to the financial statements. As this may impact on the 2022/23 financial statements as attached the Chief Finance Officer is unable to sign the statements at the current time as this matter has not been resolved.

#### **16. Further Sources of Information**

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](http://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](mailto:CorporateFinance@Surrey.pnn.police.uk).



**Kelvin Menon**, Chief Finance Officer, Office of the Police and Crime Commissioner for Surrey  
Date: 28 July 2023

## External Auditor's Report

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## Statements of Responsibilities

This section explains the responsibilities for managing the financial affairs of the Police and Crime Commissioner

### Responsibilities of the Police and Crime Commissioner:

#### The Police and Crime Commissioner is required to:

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

### Responsibilities of the Chief Finance Officer:

#### The Chief Finance Officer is responsible for:

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

#### In preparing 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 Police and Crime Commissioner.
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I approve the Draft Statement of Accounts of the PCC for Surrey and the Group for the year ended 31 March 2023

Lisa Townsend  
Police and Crime Commissioner  
Dated:

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



Kelvin Menon FCPFA  
Chief Finance Officer  
Dated: 28 July 2023



OFFICE OF THE POLICE &  
CRIME COMMISSIONER FOR  
**SURREY**



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Surrey Police

**Police and Crime Commissioner's Annual  
Governance Statement 2022-23**

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## 1 Introduction

- 1.1 This Annual Governance Statement (AGS) sets out how the Surrey Police & Crime Commissioner (PCC) and Office of the Police & Crime Commissioner (OPCC) have complied with the corporate governance framework set out in the Scheme of Governance for Surrey in place for the year ended 31 March 2023.
- 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 Chief Constable of Surrey, 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 The Surrey Police and Crime Commissioner continues to follow the principles of the CIPFA Framework: 'Delivering Good Governance in Local Government'<sup>1</sup> and the guidance notes for policing bodies (revised 2016)<sup>2</sup>.
- 1.7 The Surrey Police and Crime Commissioner 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 Police & Crime Commissioner 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 and Commissioner's financial management arrangements conform to the governance requirements of CIPFA's Statement 'The Role of CFOs in Policing' (March 2021).

## 2 Scope of Responsibilities

- 2.1 The respective roles of PCCs, Chief Constables and Police & Crime Panels are detailed in the statutory instrument, Policing Protocol Order 2011. This cites that the PCC is responsible for the 'totality of policing' within Surrey. The over-arching key responsibilities of the PCC are:

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<sup>1</sup> "Delivering Good Governance in Local Government" <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

<sup>2</sup> "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>

- To secure the maintenance of an efficient and effective police force for the area
  - To hold the Chief Constable to account for the exercise of his or her functions
  - Wider powers in relation to working with and bringing together community safety and criminal justice partners and commissioning services to support victims of crime.
- 2.2 The Chief Constable retains operational control of the Force in governance arrangements, which must not be fettered by the PCC.
- 2.3 Mrs. Lisa Townsend was elected as PCC for Surrey in May 2021 for a four-year term. During the 2022/23 year, the Commissioner was supported by a small team of staff who form the Office of the Surrey Police & Crime Commissioner. The OPCC is responsible for ensuring that the PCC's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 2.4 Ellie Vesey-Thompson was appointed Deputy Police & Crime Commissioner by Lisa Townsend to support her work and to tackle key priorities such as violence against women and girls, domestic abuse, rural crime and issues relating to young people.
- 2.5 In discharging this overall responsibility, the Surrey PCC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and for the management of risk.
- 2.6 The Commissioner's office continues to follow the principles of the CIPFA Framework: 'Delivering Good Governance in Local Government'

### 3 The Governance Framework

- 3.1 The Commissioner has approved and adopted a Scheme of Governance which is consistent with the principles of the CIPFA Framework, 'Delivering Good Governance'. The Scheme shows how the OPCC complies with the principles of 'good governance' as defined by CIPFA and sets out the arrangements in place for effective governance and financial management. It comprises a number of elements, including:
- Code of Corporate Governance: how the PCC and Chief Constable achieve the core principles of 'good governance'
  - Framework of Decision-Making and Accountability: how the PCC makes/publishes key decisions and holds the Chief Constable to account
  - Scheme of Delegation: key roles of the PCC and those functions delegated to others
  - Memorandum of Understanding: setting out the cooperative arrangements between the PCC and Chief Constable for the provision of business support and administration.
  - Financial Regulations: the framework for managing the PCC's financial affairs
  - Contract Standing Orders: rules for the procurement of goods, works and services

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

- 3.2 A copy of the Scheme and its component parts is available on the PCC's website or can be obtained from the Office of the Police & Crime Commissioner, Mount Browne HQ, Guildford GU3 1HR. This Annual Governance Statement explains how Surrey OPCC has complied with the Scheme during the year 2022-23.

- 3.3 The various elements of the Scheme of Corporate Governance set out the systems and processes, culture and values by which Surrey OPCC is directed and controlled and the activities it undertakes to engage with and be accountable to local communities. It enables the OPCC to monitor the achievement of the PCC's strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 3.4 The systems of internal control are a significant part of the Scheme and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The PCC has on-going processes designed to identify and prioritise risks to the achievement of the OPCC's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 3.5 Below, we set out how the Commissioner and her staff demonstrates the seven principles of good governance in policing, as defined by the CIPFA Guidance Notes for Policing Bodies in England and Wales (2016 Edition).
- 3.6 **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law:**

To achieve this principle, the PCC has:

- *Ensured that the **Code of Ethics** is embedded in the organisation*
- *Signed up to an **Ethical Checklist***
- *Linked the [Police & Crime Plan](#) to the Force's strategic priorities to ensure shared values are communicated clearly across the organisation*
- *Taken the **Oath of Office** on the day of election*
- *Signed up to a voluntary **Code of Conduct***
- *Published **Registers of interests and records of gifts, hospitalities and expenses** for the PCC, Chief Officers and relevant staff and shared these with the Audit Committee*
- *Ensured that all staff have clear objectives and up-to-date Performance Development Reviews (PDRs) and job descriptions*
- *As part of **governance arrangements**, put in place regular performance meetings, some of which are broadcast publicly, which allow the PCC to hold the Chief Constable to account against the priorities of the Police & Crime Plan*
- *Provided responses to all **HMICFRS reports** which make a recommendation for Surrey or the police service nationally*
- *Kept **Anti-fraud and corruption policies** up-to-date and under review*
- *Ensured that the OPCC has an up-to-date [Freedom of Information](#) Act **Publication Scheme** and is compliant with requirements for the General Data Protection Regulations*
- *Has **Whistle-blowing** policies in place that are published and subject to review by the Audit Committee*
- *Published policies and procedures on [complaints](#) on our website and reviewed wider arrangements for the handling and oversight of complaints and of 'reviews' (i.e., appeals)*
- *Had in place robust arrangements for the **oversight of professional standards** and dip checking of complaints files*

- Run an effective [Independent Custody Visitors Scheme](#) which ensures the welfare of those detained in police custody and subjected the scheme to peer assessment
- Launched an **Animal Welfare Scheme** to ensure the welfare of police dogs in Surrey
- Employed a Chief Executive who undertakes the responsibilities of **Monitoring Officer**

### 3.7 **Principal B: Ensuring openness and comprehensive stakeholder engagement:**

To achieve this principle, the PCC has:

- Published her **Police & Crime Plan** <https://www.surrey-pcc.gov.uk/plan/> which clearly sets out the strategic direction and objectives for Surrey and how they will be delivered
- Published an **Annual Report** against the plan for approval by the Police & Crime Panel
- Published an annual **council tax leaflet** containing information on how Surrey taxpayers help fund Surrey Police, including information on how much residents will pay, along with expected numbers of officer and staff posts as a result of combined funding with the Home Office
- Maintained good working relationships with the **Police & Crime Panel**, constituent local authorities and other partners
- Made a series of visits to a wide range of partner organisations, community groups and residents associations
- Held **online surgeries** with those residents wishing to discuss issues of concern
- Developed an accessible and engaging **public website** and social/digital media channels
- Launched a new **data hub**, to make information around police performance more accessible and transparent
- Held regular [performance meetings](#) which can be viewed by the public with papers published on the OPCC's website
- Discharged the statutory, reciprocal duty with responsible authorities to co-operate to reduce crime, disorder and re-offending through good governance arrangements with partner agencies
- Provided chairmanship of the **Local Criminal Justice Partnership** and Community Safety Assembly
- Set up a **Youth Commission** so that young people can share their views on policing issues in Surrey
- Engaged with **partnerships** at a national level (e.g., taken a national lead on mental health issues and road safety), at a regional level (e.g. Southeast collaboration board) as well as at a local level
- Signed up to a number of **Collaboration agreements** to set out those areas of business to be undertaken jointly with other Forces and Local Policing Bodies
- Responded to **national consultations** where appropriate, for example through the Association of PCCs
- Published a **commissioning and grants strategy** to set the framework for how she will focus resources and work with partners and a [funding hub](#) to provide information on how monies have been spent

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

To achieve this principle, the PCC has:

- Established **performance measures** and governance structures that allow the PCC and Surrey Police to assess progress against their objectives



- Kept the **Medium Term Financial Plan** under regular review
- Ensured that reviews of **capital investment** plans are undertaken to achieve appropriate lifespans and adaptability for future use
- Sought assurance that projects are subject to sound **business cases** with appropriate 'gateway' sign-off points
- Subjected key strategic projects, e.g. the estates strategy, to specific oversight arrangements
- Commissioned and developed **services for adults, children and young people** in Surrey that are informed by needs analysis and aligned to Police and Crime Plan and commissioning strategy
- Developed partnerships between Surrey Police and private and public sector partners to jointly tackle problems, for example promoting partnership working in tackling stalking and harassment

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

To achieve this principle, the PCC has:

- Undertaken an annual review of the **corporate governance framework** and key high level governance documents and subjected compliance with these documents to audit
- Agreed a **Memorandum of Understanding** to set out the information and service requirements needed by the PCC and provided by the Force
- Maintained a **Medium Term Financial Strategy**
- Ensured that processes are in place to allow proper **analysis and evaluation of plans** including option appraisal, assessing the impact of alternative approaches and benefits realisation
- Published a **forward plan** of decisions
- Kept **Risk Management** policies under review, with assurances from the Audit Committee
- Developed a data hub to allow more effective monitoring of police performance information
- Placed particular **focus on areas of underperformance**, e.g. positive outcomes for high harm offences and responses to 101 calls

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

To achieve this principle, the PCC has:

- Recruited a new Chief Constable for Surrey Police, with support from an expert panel and independent HR advisor
- Ensured that the Force has met its targets for Operation Uplift, with 395 officers having been recruited since March 2019
- Reviewed the Force's preparations for initiatives such as Apprenticeships and the non-degree entry route into policing
- Given staff of the Force and OPCC access to **learning and development resources** and encouraged a focus on Continuous Professional Development
- Kept a check on the Force's approach to **reward** that aims to attract and retain the best people with the most appropriate skills
- Ensured that policies for **Equality and Diversity** set out how the OPCC/Force will promote diversity by recognising, valuing and respecting the different contributions and needs of both communities and staff

- *Supported Surrey Police's Cadet Scheme, as well as taking an active role in the work experience and intern programmes*

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

To achieve this principle, the PCC has:

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

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

To achieve this principle, the PCC has:

- *Held the **Chief Constable to account** on a regular basis at performance meetings, with some of these being webcast so they are publicly available, with papers and minutes published*
- *Ensured that the Force and OPCC publish their respective **Statement of Accounts** and Annual Governance Statements*
- *Ensured compliance with the CIPFA Statement on the Role of the Head of Internal Audit (2010), working with the internal audit service provider, Southern Internal Audit Partnership, to maximise the effectiveness of regular updates to the Joint Audit Committee*
- *Published all [key decisions](#) on the website*
- *Reviewed **decision-making practices** which are clearly set out in the Framework of Decision-Making and Accountability*
- *Continued to support the work of the Joint Audit Committee (JAC) in its role of monitoring governance and internal control, conducting effective recruitment*

- procedures for new members during the year and providing training by the regulator CIPFA to ensure they are fully aware of role and expectations of JAC members*

  - *Reviewed our **transparency obligations** around publication of information to ensure we are compliant*

## 4 Review of Effectiveness

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

## 5 Internal Audit Opinion

- 5.1 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:**

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 opinion for the Office of the Police and Crime Commissioner for Surrey and the Surrey Police Force is as follows<sup>3</sup>:

"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.

<sup>3</sup> 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>

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

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

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

## 7 Governance Issues

### Internal Audit

- 7.2 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.
- 7.3 The overall Annual Internal Audit Opinion for 2022-23 from the Chief Internal Auditor of SIAP was “reasonable”.
- 7.4 There were no Internal Audit reviews relating to 2022-23 that gave an opinion of no assurance.
- 7.5 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)
  - OPCC Commissioning 2022/23
- 7.6 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)
  - 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
  - Network Management
  - Applications Management – Niche
  - Revenue Contract Management

- 7.7 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)
  - Firearms Licensing 2021/22
  - Virtualisation
- 7.8 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.

**Lisa Townsend**, Police and Crime Commissioner for Surrey

Date:

**Alison Bolton**, Chief Executive, Office of the PCC for Surrey

Date:

**Kelvin Menon**, Chief Finance Officer, Office of the PCC for Surrey

Date:

Contact details:

Kelvin Menon, Chief Finance Officer

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## 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>
<b>ISSUES IDENTIFIED FROM INTERNAL AUDIT 2021-22</b>			
	<b>Joint Uniform Stores 2021/22 – Limited Assurance</b> 13 Medium, 5 Low level management actions	Executive Director of Commercial and Finance	<b>COMPLETE</b>
	<b>Joint Transport Fleet Management 2021/22 – Reasonable Assurance</b> 4 High, 1 Medium, 1 Low level management actions 1 medium action remains open	Executive Director of Commercial and Finance	<b>AGREED ONGOING</b> Anticipated completion date: March 24
	<b>Joint Application Management: Niche 2021/22 – Reasonable Assurance</b> 5 Low level management actions 1 low action remains open	Chief Digital and Information Officer	<b>AGREED ONGOING</b> Anticipated completion date extended to: August-23
	<b>Joint Network Infrastructure Management and Monitoring 2021/22 – Reasonable Assurance</b> 3 Medium, 8 Low level management actions 2 medium actions remain open	Chief Digital and Information Officer	<b>AGREED ONGOING</b> Anticipated completion date: Dec-23
	<b>Joint Seized Property and Cash 2021/22 – Reasonable Assurance</b> 6 High, 5 Medium, 4 Low level management actions 2 medium, 1 low actions remain open	Executive Director of Commercial and Finance	<b>AGREED ONGOING</b> Anticipated completion date: Aug-23
	<b>Joint HR Strategy and arrangements for delivery of training to meet future needs 2021/22 – Reasonable Assurance</b> 3 High, 1 Medium level management actions 1 medium action remains open	Director of People Services	<b>AGREED ONGOING</b> Anticipated completion date extended to: June-23
<b>ISSUES IDENTIFIED FROM INTERNAL AUDIT 2022-23</b>			
	<b>Commissioning including grant administration and monitoring 2022/23 – Substantial Assurance</b>	PCC	
	<b>Cyber Security – protective monitoring (joint review) 2022/23 – Substantial Assurance</b> 1 Medium level management action	Chief Digital and Information Officer	<b>COMPLETE</b>
	<b>Strategy and arrangements for delivery of training to meet future needs (joint review) 2022/23 – Reasonable Assurance</b> 3 High, 1 Medium level management actions 1 medium action remains open	Director of People Services	<b>ONGOING</b> Anticipated completion date June-23
	<b>OPCC Decision making and accountability 2022/23 – Reasonable Assurance</b>	PCC	
	<b>Management of establishment / pay projections Payroll 2022/23 – Reasonable Assurance</b> 1 High, 3 Medium level management actions 1 high, 2 medium actions remain open	Director of People Services	<b>ONGOING</b> Anticipated completion date: May-23
	<b>Contract management (Revenue) (joint review) 2022/23 – Reasonable Assurance</b> 4 Medium level management actions 1 medium action remains open	Chief Digital and Information Officer	<b>ONGOING</b> Anticipated completion date: Jan-24

	<b>Forensic Investigations (joint review) 2022/23 – Reasonable Assurance</b> 2 Low level management actions - complete	ACC Specialist Crime Command	<b>COMPLETE</b>
	<b>Strategic Financial Planning and Budgeting – Capital expenditure (joint review) 2022/23 – Reasonable Assurance</b> 2 Low level management actions - complete	Executive Director of Commercial and Finance	<b>COMPLETE</b>
	<b>Firearms Licensing (joint review) 2022/23 – Reasonable Assurance</b> 4 High, 4 Medium, 1 Low level management actions	ACC Ops Command	<b>COMPLETE</b>
	<b>Service Desk (joint review) 2022/23 – Reasonable Assurance</b> 5 Medium level management actions 2 medium actions remain open	Chief Digital and Information Officer	<b>ONGOING</b> Anticipated completion date: Dec-23
	<b>Operating Systems Management (joint review) 2021/22 – Limited Assurance</b> 13 Medium, 2 Low level management actions 1 medium action remains open	Chief Digital and Information Officer	<b>ONGOING</b> Anticipated completion date: Dec-24
	<b>Agency Staffing (joint review) 2022/23 – Limited Assurance</b> 1 Medium, 4 Low level management actions - complete	Director of People Services	<b>COMPLETE</b>
	<b>Uniform (joint review) 2022/23 – Limited Assurance</b> 1 High, 2 Medium management actions 2 medium actions remain open	Executive Director of Commercial and Finance	<b>ONGOING</b> Anticipated completion date: Sept-23
	<b>IT Resource Management (joint review) 2022/23 – Limited Assurance</b> 5 Medium, 5 Low level management actions - complete	Chief Digital and Information Officer	<b>COMPLETE</b>

## Movement in Reserves Statement

<b>2022/23 Group</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Total General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2022</b>	<b>(9,134)</b>	<b>(12,333)</b>	<b>(21,467)</b>	<b>0</b>	<b>(1,863)</b>	<b>(23,330)</b>	<b>2,047,252</b>	<b>2,021,816</b>
<b>Movement in reserves during 2021/23</b>								
(Surplus)/deficit on the provision of services	77,246	0	<b>77,246</b>	0		77,246		<b>77,246</b>
Other Comprehensive Income / Expenditure	0	0		0		0	(942,902)	<b>(942,902)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>77,246</b>	<b>0</b>	<b>77,246</b>	<b>0</b>	<b>0</b>	<b>77,246</b>	<b>(942,902)</b>	<b>(865,656)</b>
Adjustments between accounting basis and funding basis under regulations	(86,582)	0	<b>(86,582)</b>	0	<b>95</b>	(86,487)	86,487	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(9,336)</b>	<b>0</b>	<b>(9,336)</b>	<b>0</b>	<b>95</b>	<b>(9,241)</b>	<b>(856,415)</b>	<b>(865,656)</b>
Transfers to / from Earmarked Reserves	8,573	(8,573)	<b>0</b>	0	<b>0</b>	0	0	<b>0</b>
<b>Increase or Decrease in 2021/23</b>	<b>(763)</b>	<b>(8,573)</b>	<b>(9,336)</b>	<b>0</b>	<b>95</b>	<b>(9,241)</b>	<b>(856,415)</b>	<b>(865,656)</b>
Rounding					<b>0</b>	<b>0</b>		
<b>Balance at 31 March 2023</b>	<b>(9,897)</b>	<b>(20,906)</b>	<b>(30,803)</b>	<b>0</b>	<b>(3,874)</b>	<b>(34,677)</b>	<b>1,190,837</b>	<b>1,156,160</b>

<b>2021/22 Group</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Total General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2020</b>	<b>(8,327)</b>	<b>(11,437)</b>	<b>(19,764)</b>	<b>0</b>	<b>(1,863)</b>	<b>(21,627)</b>	<b>2,066,439</b>	<b>2,044,812</b>
<b>Movement in reserves during 2021/22</b>								
(Surplus)/deficit on the provision of services	75,965	0	<b>75,965</b>	0	<b>0</b>	75,965		<b>75,965</b>
Other Comprehensive Income / Expenditure	0	0		0	<b>0</b>	0	(98,960)	<b>(98,960)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>75,965</b>	<b>0</b>	<b>75,965</b>	<b>0</b>	<b>0</b>	<b>75,965</b>	<b>(98,960)</b>	<b>(22,995)</b>
Adjustments between accounting basis and funding basis under regulations	(77,667)	0	<b>(77,667)</b>	0	<b>(2,106)</b>	(79,773)	79,773	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(1,702)</b>	<b>0</b>	<b>(1,702)</b>	<b>0</b>	<b>(2,106)</b>	<b>(3,808)</b>	<b>(19,187)</b>	<b>(22,995)</b>
Transfers to / from Earmarked Reserves	896	(896)	<b>0</b>	0	<b>0</b>	0	0	<b>0</b>
<b>Increase or Decrease in 2021/22</b>	<b>(806)</b>	<b>(896)</b>	<b>(1,702)</b>	<b>0</b>	<b>(2,106)</b>	<b>(3,808)</b>	<b>(19,187)</b>	<b>(22,995)</b>
Rounding	<b>(1)</b>		<b>(1)</b>	<b>0</b>	<b>0</b>	<b>(1)</b>		<b>(1)</b>
<b>Balance at 31 March 2022</b>	<b>(9,134)</b>	<b>(12,333)</b>	<b>(21,467)</b>	<b>0</b>	<b>(3,969)</b>	<b>(25,436)</b>	<b>2,047,252</b>	<b>2,021,816</b>



<b>2022/23 PCC</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Total General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2022</b>	<b>(9,134)</b>	<b>(12,333)</b>	<b>(21,467)</b>	<b>0</b>	<b>(3,969)</b>	<b>(25,436)</b>	<b>(114,571)</b>	<b>(140,007)</b>
<b>Movement in reserves during 2022/23</b>								
(Surplus)/deficit on the provision of services	(4,316)	0	<b>(4,316)</b>	0	0	(4,316)	0	<b>(4,316)</b>
Other Comprehensive Income / Expenditure				0		0	(86,612)	<b>(86,612)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(4,316)</b>	<b>0</b>	<b>(4,316)</b>	<b>0</b>		<b>(4,316)</b>	<b>(86,612)</b>	<b>(90,928)</b>
Adjustments between accounting basis and funding basis under regulations	(5,020)	0	<b>(5,020)</b>	0	95	(4,925)	4,925	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(9,336)</b>	<b>0</b>	<b>(9,336)</b>	<b>0</b>	<b>95</b>	<b>(9,241)</b>	<b>(81,687)</b>	<b>(90,928)</b>
Transfers to / from Earmarked Reserves	8,573	(8,573)	<b>0</b>	0	0	0	0	<b>0</b>
<b>Increase or Decrease in 2022/23</b>	<b>(763)</b>	<b>(8,573)</b>	<b>(9,336)</b>	<b>0</b>	<b>95</b>	<b>(9,241)</b>	<b>(81,687)</b>	<b>(90,928)</b>
Rounding						0		
<b>Balance at 31 March 2023</b>	<b>(9,897)</b>	<b>(20,906)</b>	<b>(30,803)</b>	<b>0</b>	<b>(3,874)</b>	<b>(34,677)</b>	<b>(196,258)</b>	<b>(230,935)</b>

<b>2021/22 PCC</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Total General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2021</b>	<b>(8,327)</b>	<b>(11,437)</b>	<b>(19,764)</b>	<b>0</b>	<b>(1,863)</b>	<b>(21,627)</b>	<b>(109,558)</b>	<b>(131,185)</b>
<b>Movement in reserves during 2021/22</b>								
(Surplus)/deficit on the provision of services	(2,777)	0	<b>(2,777)</b>	0	0	(2,777)	0	<b>(2,777)</b>
Other Comprehensive Income / Expenditure						0	(6,044)	<b>(6,044)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,777)</b>	<b>0</b>	<b>(2,777)</b>	<b>0</b>	<b>0</b>	<b>(2,777)</b>	<b>(6,044)</b>	<b>(8,821)</b>
Adjustments between accounting basis and funding basis under regulations	1,075	0	<b>1,075</b>	0	(2,106)	(1,031)	1,031	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(1,702)</b>	<b>0</b>	<b>(1,702)</b>	<b>0</b>	<b>(2,106)</b>	<b>(3,808)</b>	<b>(5,013)</b>	<b>(8,821)</b>
Transfers to / from Earmarked Reserves	896	(896)	<b>0</b>	0	0	<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2021/22</b>	<b>(806)</b>	<b>(896)</b>	<b>(1,702)</b>	<b>0</b>	<b>(2,106)</b>	<b>(3,808)</b>	<b>(5,013)</b>	<b>(8,821)</b>
<b>Rounding</b>	<b>-1</b>		<b>(1)</b>			<b>(1)</b>		<b>(1)</b>
<b>Balance at 31 March 2022</b>	<b>(9,134)</b>	<b>(12,333)</b>	<b>(21,467)</b>	<b>0</b>	<b>(3,969)</b>	<b>(25,436)</b>	<b>(114,571)</b>	<b>(140,007)</b>

## Comprehensive Income and Expenditure Statement

### Group

2021/22				2022/23		
Expenditure	Income	Net	Note	Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
153,750	0	153,750		153,467	0	153,467
7,084	0	7,084		7,316	0	7,316
95,332	0	95,332		91,377	0	91,377
1,874	0	1,874		2,470	0	2,470
1,097	0	1,097		725	0	725
1,633	0	1,633		1,753	0	1,753
2,877	0	2,877		5,108	0	5,108
11,263	0	11,263		11,937	0	11,937
36,681	0	36,681		38,500	0	38,500
4,593	0	4,593		5,580	0	5,580
10,689	0	10,689	*	15,220	0	15,220
0	(19,978)	(19,978)		0	(22,441)	(22,441)
<b>326,873</b>	<b>(19,978)</b>	<b>306,895</b>	<b>Cost of Services</b>	<b>333,453</b>	<b>(22,441)</b>	<b>311,012</b>
			Intra-Group Funding Transfer			<b>0</b>
<b>326,873</b>	<b>(19,978)</b>	<b>306,895</b>	<b>Net Cost of Services</b>	<b>333,453</b>	<b>(22,441)</b>	<b>311,012</b>
1,364	0	1,364	34	663		663
51,841	(7,564)	44,277	33	69,093	(11,854)	57,239
0	(276,571)	(276,571)	8		(291,668)	(291,668)
<b>380,078</b>	<b>(304,113)</b>	<b>75,965</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>403,209</b>	<b>(325,963)</b>	<b>77,246</b>
		(5,895)				(83,294)
		(91)				14
		(92,974)				(859,622)
		<b>(98,960)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(942,902)</b>
		<b>(22,995)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(865,656)</b>

\* The Capital charges figure in 2022/2023 includes a figure of £0.742m for downward PPE Revaluations

The Comprehensive Income and Expenditure Statement (CIES) shows the consolidated 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 regulations; this is different from the accounting cost. The adjustments between accounting basis and funding basis under regulations are shown in the Movement in Reserves Statement.

## PCC

2021/22				2022/23		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
1,295	0	1,295	Staff Payroll	1,537	0	1,537
4	0	4	Staff Overtime	7	0	7
3	0	3	Training	9	0	9
12	0	12	Other Payroll Costs	20	0	20
49	0	49	Premises	53	0	53
4,395	0	4,395	Supplies & Services	4,760	0	4,760
3	0	3	Transport	9	0	9
0	(2,930)	(2,930)	Income	0	(3,177)	(3,177)
17,048	(17,048)	0	Income for Services provided by the Chief Constable	19,264	(19,264)	0
0	0	0	Rounding	0	0	0
<b>22,809</b>	<b>(19,978)</b>	<b>2,831</b>	<b>Cost of Services</b>	<b>25,659</b>	<b>(22,441)</b>	<b>3,218</b>
269,265	0	269,265	Intra-group Funding Transfer	283,967	0	283,967
<b>292,074</b>	<b>(19,978)</b>	<b>272,096</b>	<b>Net Cost of Services</b>	<b>309,626</b>	<b>(22,441)</b>	<b>287,185</b>
1,364	0	1,364	Other Operating Expenditure	663	0	663
463	(135)	328	Financing and Investment Income and Expenditure	558	(1,061)	(503)
0	(276,565)	(276,565)	Taxation and Non-Specific Grant Income	0	(291,661)	(291,661)
<b>293,901</b>	<b>(296,678)</b>	<b>(2,777)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>310,847</b>	<b>(315,163)</b>	<b>(4,316)</b>
		(5,895)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment			(83,294)
		(91)	(Surplus) on revaluation of Financial Instruments			14
		(58)	Re-measurement of the net defined benefit liability			(3,332)
		<b>(6,044)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(86,612)</b>
		<b>(8,821)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(90,928)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Police and Crime Commissioner. The net assets of the Police and Crime Commissioner (assets less liabilities) are matched by the reserves held by the Police and Crime Commissioner.

31 March 2022			31 March 2023		
PCC	Group		PCC	Group	
£000	£000	Note	£000	£000	
115,962	115,962	11	197,792	197,792	Property, Plant and Equipment
23,267	23,267	16	18,323	18,323	Investment Property
2,470	2,470	12	1,841	1,841	Intangible Assets
0	0		312	16,469	Long Term Investment
677	677		665	665	Long-Term Debtors
<b>142,376</b>	<b>142,376</b>		<b>218,933</b>	<b>235,090</b>	<b>Long Term Assets</b>
393	393	15	372	372	Assets Held for Sale
1,009	1,009		900	900	Inventories
19,101	19,210	13	25,866	25,976	Short-Term Debtors
26,977	26,977	14	34,117	34,117	Cash and Cash Equivalents
<b>47,480</b>	<b>47,589</b>		<b>61,255</b>	<b>61,365</b>	<b>Current Assets</b>
(29,754)	(31,052)	17	(32,578)	(33,960)	Short-Term Creditors
(2,966)	(3,075)	18	(2,877)	(2,987)	Provisions
<b>(32,720)</b>	<b>(34,127)</b>		<b>(35,455)</b>	<b>(36,947)</b>	<b>Current Liabilities</b>
(14,042)	(14,042)	38	(13,520)	(13,520)	Long-Term Borrowing
(3,087)	(2,163,612)	26	(278)	(1,402,148)	Other Long-Term Liabilities
<b>(17,129)</b>	<b>(2,177,654)</b>		<b>(13,798)</b>	<b>(1,415,668)</b>	<b>Long Term Liabilities</b>
<b>140,007</b>	<b>(2,021,816)</b>		<b>230,935</b>	<b>(1,156,160)</b>	<b>Net Assets</b>
(25,436)	(25,436)	19	(34,677)	(34,677)	Usable Reserves
(114,571)	2,047,252	20	(196,258)	1,190,837	Unusable Reserves
<b>(140,007)</b>	<b>2,021,816</b>		<b>(230,935)</b>	<b>1,156,160</b>	<b>Total Reserves</b>

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

*Kelvin Menon*

Kelvin Menon FCPFA  
Chief Finance Officer  
Dated: 28 July 2023

Balance Sheet Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Police and Crime Commissioner may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Police and Crime Commissioner is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that recognise the impact of timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Balance Sheet tables show the value as at 31 March 2023 of the assets and liabilities recognised by the Group and the Police and Crime Commissioner (PCC). The net liabilities of the Group (assets less liabilities) are matched by the reserves held by the Group.

The Chief Constable does not own any assets. All assets are held by the PCC.

The Chief Constable's Balance Sheet does include pension fund and employee benefit entries to show the reader its accounting for employee benefit and pension liabilities.

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

## Cash Flow Statement

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

The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

2021/22			2022/23		
PCC	Group		PCC	Group	
£000	£000	Note	£000	£000	
(2,777)	75,965		(4,316)	77,246	Net deficit on the provision of services
(19,630)	(98,372)		(11,807)	(93,369)	Adjustment to surplus or deficit on the provision of services for noncash movements
1,415	1,415		1,308	1,308	Adjustment for items included in the net deficit on the provision of services that are investing or financing activities
(1)	(1)				Rounding
<b>(20,993)</b>	<b>(20,993)</b>	<b>35</b>	<b>(14,815)</b>	<b>(14,815)</b>	<b>Net cash flows from operating activities</b>
6,696	6,696	36	7,675	7,675	Net cash flows from investing activities
0	0	37	0	0	Net cash flows from financing activities
<b>(14,297)</b>	<b>(14,297)</b>		<b>(7,140)</b>	<b>(7,140)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>
12,680	12,680		26,977	26,977	Cash and cash equivalents at the beginning of the reporting period
<b>26,977</b>	<b>26,977</b>	<b>14</b>	<b>34,117</b>	<b>34,117</b>	<b>Cash and cash equivalents at the end of the reporting period</b>

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

## 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 39, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Material estimates and assumptions are made in the following cases:

- **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 allocated 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 the Surrey Police Group 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.
- **Estates strategy** – the timing and value of future property sales need to be considered in order to provide funds for future capital programmes and in particular the Building the Future project to develop a new Police HQ.



- **Asset values** – the PCC exercises judgement in determining the carrying value of land and buildings on the PCC/PCC Group Balance Sheet by having a policy to have valuations on a 5-year rolling basis supplied by external valuers, Wilks Head and Eve LLP. In addition to valuations, the local market conditions and national data are assessed as to whether there should be changes in asset values on an annual basis.
- **Capitalisation** – Capitalisation of non-current assets and intangible assets requires management judgement to ensure expenditure incurred during the year is correctly capitalised as Property, Plant & Equipment (PPE) or Intangible Assets. If expenditure does not meet the capital criteria it is released as revenue.
- **Depreciation** – Depreciation is calculated based on asset value and expected useful life of the asset. If the useful life of an asset is reduced then the depreciation charge to the CIES will increase. The PCC monitors the useful life of assets to identify where changes to the depreciation charge are required during the year.
- **Leases** – the PCC has to determine whether the leases it enters should be classified as operating or finance leases. The PCC must also consider whether contractual arrangements it enters into have the substance of a lease. These judgements are made on the professional opinion of the PCC Group’s accountants and procurement manager based on contract procedure rules and the strict criteria set out in International Accounting Standard 17 (IAS 17) relating to leases. These will also need to be considered for IFRS 16 compliance in future years.

### **Accruals of Income and Expenditure**

Income and Expenditure is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- **Fees, charges and rents due** are accounted for as income at the date the Police and Crime Commissioner provides the relevant goods or services.
- Where **income and expenditure is recognised but cash has not been received or paid**, a debtor or creditor for the relevant year is recorded in the Balance Sheet. Estimates are used when appropriate based on expectation, experience, relevant documentary evidence and other support such as advice from specialist consultants.
- Where it is **doubtful that debts will be settled**, the balance of debtors is written down and a charge made to the CIES for the income that might not be collected.

- **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 the majority of the working capital balances (cash, current debtors and currently liabilities) are recognised in the PCC'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 Constable's accounts the leave accrual has been accordingly matched and accounted for on the Chief Constables Balance Sheet. The calculation is based on staff annual leave records and an average cost for each grade.
- **Collaboration** – the PCC has to determine how to account for collaborative arrangements. The Police and Crime Commissioners and Chief Constables of Surrey and Sussex Police have entered into a legal arrangement to provide a number of services jointly with each other and other 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 which cannot be directly attributable to each force, is shared on a formula basis. Each force accounts for their own share of total income and expenditure and assets.
- **Insurance Actuarial Assumptions** - The Group annually reviews the appropriateness of its insurance funding. Independent Actuaries Marsh undertook a review on the adequacy of our insurance claim provision and reserves. The review utilises recognised actuarial techniques and generally accepted principles to forecast ultimate claims costs. All reviews are carried out by qualified actuaries in the core Marsh team dedicated to the contract. The underlying assumptions and methodologies used in the reports are then peer-reviewed by a colleague independent to the core team.
- **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 2023, 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 Group about the future or that are otherwise uncertain. Estimates are made taking into account historic evidence, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Group's Balance Sheet at 31 March 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
<b>Property, Plant and Equipment Valuations and Depreciation</b>	Assets are independently assessed by professional valuers. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate of austerity could lead to uncertainty that the Police and Crime Commissioner will be able to sustain its current spending on repairs and maintenance, this in turn could impact on the useful lives assigned to assets.	<p>If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge increases by £1.5m for every year that useful lives are reduced.</p> <p>A 1% market movement for valuations of the asset classes held by the PCC for Surrey would be as follows:</p> <ul style="list-style-type: none"> <li>- Specialised Operational Property asset (Custody Suite) measured using DRC methodology £1.38m</li> <li>- Non-specialised Operational Property assets measured using EUV methodology £0.17m</li> <li>- Assets Held for Sale measured using Market Value £0.00m</li> <li>- Investment Property valued using Fair Value £0.18m</li> </ul>
<b>Intangible Assets</b>	Intangible Assets are assessed by the business and amortised over useful lives that are dependent on assumptions about the use and potential obsolescence in relation to individual assets. The PCC carries intangible assets for purchased computer software and systems development. The standard period of amortisation noted within the Financial Regulations is 3 years.	If the useful life of assets is reduced, amortisation increases and the carrying amount of the asset falls. It is estimated that the annual amortisation charge would increase by £0.6m if useful lives reduced by 1 year.
<b>Insurance Claims Liability</b>	The level of potential claims facing the Police and Crime Commissioner is independently assessed by professional actuaries Arthur J Gallagher Insurance Brokers Limited (Gallagher) on an annual basis. This assesses the future potential cost on the Police and Crime Commissioner of claims both known and unknown. Claims more likely to materialise in terms of probability, cost and timing, are carried as provision on the balance sheet. Funding for more intangible claims is held in the insurance reserve. The assessment is subject to peer review.	Additional resources would be required to cover claims costs in the event that claims are higher than predicted.
<b>Pensions Costs</b>	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.	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.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease

	<p>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>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>
<b>Debtors</b>	<p>At 31st March 2023, the Police and Crime Commissioner had a balance of sundry debtors of £0.08m. A review of significant balances suggested that an impairment of doubtful debts of £0.05m was appropriate.</p>	<p>Based on the balance outstanding at 31 March 2023, if collection rates were to deteriorate, every 1% decrease would require an additional bad and doubtful debt provision of £0.014m.</p>
<b>Income &amp; Expenditure</b>	<p>The majority of funding to the Group is from Government Grants and Precept income.</p>	<p>Currently 44.9% of the Net Budget Requirement is met by Government Grant Funding and 55.1% by Precept collections.</p>



## Note 5 -Expenditure and Funding Analysis

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

### Group

Net Expenditure Chargeable to General Fund	2021/22			2022/23		
	Adjustments	Net Expenditure in the CIES		Net Expenditure Chargeable to General Fund	Adjustments	Net Expenditure in the CIES
	£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
72,079	23,253	95,332	Staff Payroll	70,774	20,603	91,377
1,874		1,874	Staff Overtime	2,470		2,470
1,097		1,097	Agency	725		725
1,633		1,633	Training	1,753		1,753
2,877		2,877	Other Payroll Costs	5,108		5,108
11,263		11,263	Premises	11,937		11,937
36,681		36,681	Supplies and Services	38,500		38,500
4,593		4,593	Transport	5,580		5,580
0	10,689	10,689	Capital Charges: Depreciation, Amortisation, Impairment (Proxy)	0	15,220	15,220
(19,978)		(19,978)	Income	(22,441)		(22,441)
<b>217,195</b>	<b>89,700</b>	<b>306,895</b>	<b>Net Cost of Services</b>	<b>213,882</b>	<b>97,130</b>	<b>311,012</b>
(218,898)	(12,033)	(230,931)	Other Income and Expenditure	(223,218)	(10,548)	(233,766)
<b>(1,703)</b>	<b>77,667</b>	<b>75,964</b>	<b>Deficit on Provision of Services</b>	<b>(9,336)</b>	<b>86,582</b>	<b>77,246</b>
(19,764)			Opening Combined General Fund Balance	(21,467)		
(1,703)			Plus/less Surplus or Deficit on the General Fund Balance for the Year	(9,336)		
<b>(21,467)</b>			<b>Closing Combined General Fund Balance</b>	<b>(30,803)</b>		

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

PCC

2021/22			2022/23		
Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the CIES	Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the CIES
£000	£000	£000	£000	£000	£000
1,026	269	1,295	1,189	348	1,537
4	0	4	7		7
3	0	3	9		9
12	0	12	20		20
49	0	49	53		53
4,395	0	4,395	4,760		4,760
3	0	3	9		9
(10,689)	10,689	0	(15,220)	15,220	0
(2,930)	0	(2,930)	(3,177)		(3,177)
<b>(8,127)</b>	<b>10,958</b>	<b>2,831</b>	<b>(12,350)</b>	<b>15,568</b>	<b>3,218</b>
6,424	(12,033)	(5,609)	3,014	(10,548)	(7,534)
<b>(1,703)</b>	<b>(1,075)</b>	<b>(2,778)</b>	<b>(9,336)</b>	<b>5,020</b>	<b>(4,316)</b>
(19,674)			(21,467)		
(1,703)			(9,336)		
<b>(21,467)</b>			<b>(30,803)</b>		

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

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

<b>GROUP 2022/23 ADJUSTMENTS</b>	<b>General Fund</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited/credited to the CIES:</b>				
Depreciation and impairment of non-current assets	(8,462)	0	0	8,462
Revaluation (Gains)/Losses on Property Plant and Equipment	(742)	0	0	742
Movements in the market value of Investment Properties	(4,775)	0	0	4,775
Amortisation of intangible assets	(1,241)	0	0	1,241
Impairment of intangible assets	0	0	0	0
Amounts of non-current assets written off on disposal/sale as part of the gain/loss on disposal to CIES	(133)	0	0	133
<b>Insertion of items not debited or credited to the CIES:</b>				
Statutory provision for the financing of capital investment	1,072	0	0	(1,072)
Capital expenditure charged against the General Fund	7423	0	0	(7423)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the CIES	621	0	(621)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	157	0	716	(873)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	0	(687)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	687	0	(687)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1,407	0	0	(1,407)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(133,447)	0	0	133,447
Employers pension contributions and direct payments to pensioners payable in year	51,620	0	0	(51,620)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(82)	0	0	82
<b>Total Adjustments</b>	<b>(86,582)</b>	<b>0</b>	<b>95</b>	<b>86,487</b>

<b>GROUP 2021/22 ADJUSTMENTS</b>	<b>General Fund</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited/credited to the CIES:</b>				
Depreciation and impairment of non-current assets	(8,507)	0	0	8,507
Revaluation (Gains)/Losses on Property Plant and Equipment	(747)	0	0	747
Movements in the market value of Investment Properties	65	0	0	(65)
Amortisation of intangible assets	(1,500)	0	0	1,500
Impairment of intangible assets	0	0	0	0
Amounts of non-current assets written off on disposal/sale as part of the gain/loss on disposal to CIES	(754)	0	0	1,281
<b>Insertion of items not debited or credited to the CIES:</b>				
Statutory provision for the financing of capital investment	1,153	0	0	(1,153)
Capital expenditure charged against the General Fund	6,554	0	0	(6,554)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the CIES	888	0	(888)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	1,804	0	(1,218)	(586)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	0	(527)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	527	0	(527)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	2,388	0	0	(2,388)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(134,403)	0	0	134,403
Employers pension contributions and direct payments to pensioners payable in year	54,740	0	0	(54,740)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	652	0	0	(652)
<b>Total Adjustments</b>	<b>(77,667)</b>	<b>0</b>	<b>(2,106)</b>	<b>79,773</b>

<b>PCC 2022/23 ADJUSTMENTS</b>	<b>General Fund</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the CIES:</b>				
Depreciation and impairment of non-current assets	(8,462)			8,462
Revaluation (Gains)/Losses on Property Plant and Equipment	(742)			742
Movements in the market value of Investment Properties	(4,775)			4775
Amortisation of intangible assets	(1,241)			(1,24)
Impairment of intangible assets	0			0
Amounts of non-current assets written off on disposal/sale as part of the gain/loss on disposal to the CIES	(133)			133
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	1,072			(1,072)
Capital expenditure charged against the General Fund	7,423			(7,423)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the CIES	621		(621)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	157		716	(873)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES		(687)		0
Use of the Capital Receipts Reserve to finance new capital expenditure		687		(687)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1,407			(1,407)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(503)			503
Employers pension contributions and direct payments to pensioners payable in year	155			(155)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0			0
Rounding	1			(1)
<b>Total Adjustments</b>	<b>(5,020)</b>	<b>0</b>	<b>95</b>	<b>4,925</b>

<b>PCC 2021/22 ADJUSTMENTS</b>	<b>General Fund</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the CIES:</b>				
Depreciation and impairment of non-current assets	(8,507)			8,507
Revaluation (Gains)/Losses on Property Plant and Equipment	(747)			747
Movements in the market value of Investment Properties	65			(65)
Amortisation of intangible assets	(1,500)			1,500
Impairment of intangible assets	0			0
Amounts of non-current assets written off on disposal/sale as part of the gain/loss on disposal to the CIES	(754)			1,281
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	1,153			(1,153)
Capital expenditure charged against the General Fund	6,554			(6,554)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the CIES	888		(888)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	1,804		(1,218)	(586)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES		(527)		0
Use of the Capital Receipts Reserve to finance new capital expenditure		527		(527)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	2,388			(2,388)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(393)			393
Employers pension contributions and direct payments to pensioners payable in year	124			(124)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0			0
<b>Total Adjustments</b>	<b>1,075</b>	<b>0</b>	<b>(2,106)</b>	<b>1,031</b>

## Note 7 – Transfers to/from Earmarked Reserves

The table below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	Balance at 31 March 2021	Transfers In 2021/22	Transfers Out 2021/22	Balance at 31 March 2022	Transfers In 2022/23	Transfers Out 2022/23	Balance at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked Reserves:</b>							
Insurance Reserve	(1,625)	(779)	523	(1,881)	(31)	0	(1,912)
Ill Health Reserve	(1,060)	(200)	504	(756)	0	147	(609)
PCC Operational Reserve	(1,150)	(234)	150	(1,234)	0	0	(1,234)
PCC Estate Strategy Reserve	(3,200)	0	0	(3,200)	(1,178)	0	(4,378)
Cost of Change Reserve	(2,651)	(513)	0	(3,164)	(2,398)	0	(5,562)
COVID19 Reserve	(1,751)	(347)	0	(2,098)	0	2,098	0
Delegated Budget Holder Reserve	0	0	0	0	(5,100)	0	(5,100)
Net Zero Reserve	0	0	0	0	(1,661)	0	(1,661)
Chief Constable Op Reserve for Op Pheasant	0	0	0	0	(450)	0	(450)
<b>Total Earmarked Reserves</b>	<b>(11,437)</b>	<b>(2,073)</b>	<b>1,177</b>	<b>(12,333)</b>	<b>(10,818)</b>	<b>2,245</b>	<b>(20,906)</b>

The following table details the usable reserves and the purpose for which are held by Surrey Police:

<b>Reserve</b>		<b>Level or Target</b>
<b>General</b>		
<b>General Reserves</b>	<p>Provides a working balance to cover day to day cash flow requirements and to cover exceptional unforeseen financial and operational risks. The target level for the reserve is reviewed as part of the annual budget setting process.</p> <p>This includes a separately identified Chief Constable Operational Reserve to provide access to funding for immediate operational policing demands without need for further approval from the PCC. Prior to 2019/20 this reserve was previously included within the earmarked reserves category.</p>	3% of Net Revenue Expenditure Budget as at 31 March each year.
<b>Contingency and Risk</b>		
<b>Police Officer Ill Health Pension Reserve</b>	<p>This reserve provides for the self-funding of police officer ill health and injury payments not covered by the pension grant funding.</p> <p>This reserve is maintained to meet the capital charge made by the Home Office for each officer that retires due to ill health. A percentage of the police officer cost as recommended by the Home Office is added to this reserve and the level will fluctuate from year to year depending on the number of police officer retirees.</p>	Assessed as part of the medium term financial planning process.
<b>Insurance Reserve</b>	<p>Provides for the self-funding of certain uninsurable risks, such as payments of compensation or damages, or below the excess level such as motor claims. This Reserve is funded from revenue or transfers from other reserves and is adjusted annually, following an independent actuarial review, to reflect up to date management information on inflation and risk.</p> <p>To improve consistency in funding claims, there is a need to split claims between a provision on the Balance Sheet for the cost of claims received and outstanding; and funds held in the reserve to cover claims incurred but not received or quantified. Claims that have been reported and assessed as more likely to be settled are carried as a financial provision whilst known incidents where no claim has yet been made, are covered by the insurance reserve. The revenue account makes a contribution to the reserve each year that in-year liabilities, as they arise, are charged against. The level of the reserve is reviewed annually.</p>	Assessed as part of the annual insurance actuarial review.
<b>Investment</b>		
<b>Capital Receipts Reserve</b>	This reserve holds the proceeds from the sale of assets, and can only be used for financing capital expenditure in accordance with regulations.	Receipts from the sale of assets are taken to this reserve.
<b>Capital Grants &amp; Contributions Unapplied Reserve</b>	This reserve holds unused elements of grant and other external funding to be spend in the following financial year in line with the conditions of the grant or external funding.	As determined by the closure of accounts process.



Single Use		
<b>PCC Operational Reserve</b>	This reserve was set up to facilitate transformational change that will deliver future savings and repay investment.	Assessed as part of the medium term financial planning process.
<b>PCC Estate Strategy Reserve</b>	This reserve was created to manage the transition costs involved in delivering the Estate Strategy which involves rationalising some of the current estate and building a new operational headquarters.	Assessed as part of the medium term financial planning process.
<b>PCC Cost of Change Reserve</b>	This reserve funds projects that enhance the policing in Surrey and/or deliver savings. In practice the proposal is that any under spend from the operational budget in excess of General Reserve requirements is transferred to this reserve at the year-end subject to PCC approval.	Assessed as part of the medium term financial planning process.
<b>Covid 19 Reserve</b>	This reserve was set up to facilitate additional cost pressures likely to arise in 2020/21 as a result of the Coronavirus pandemic.	Closed during 2022/23.
<b>Delegated Budget Holder Reserve</b>	Under and Overspending on the PCC's and Chief Constable's revenue budgets are managed via this reserve in accordance with the PCC's carry forward policy	Approved by the PCC either during the year or as part of the final outturn
<b>Net Zero Reserve</b>	To provide funds to support the Surrey Police Commitment to achieve net zero	Created during 2022/23
<b>Chief Constable Reserve for Op Pheasant</b>	To provide resources for reopened historical investigations	Created during 2022/23

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

The group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

<b>2021/22</b>	<b>2021/22</b>		<b>2022/23</b>	<b>2022/23</b>
<b>PCC</b>	<b>Group</b>		<b>PCC</b>	<b>Group</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
(144,747)	(144,747)	Council tax income	(152,990)	(152,990)
(130,930)	(130,936)	Non-ringfenced government grants	(138,051)	(138,057)
(888)	(888)	Capital grants and contributions	(621)	(621)
(276,565)	(276,571)	<b>Total</b>	(291,662)	(291,668)

## Note 9 - Grant Income

The Police and Crime Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

31 March 2022		31 March 2022		31 March 2023		31 March 2023	
PCC		Group		PCC		Group	
£000		£000		£000		£000	
(72,172)	(72,172)	Home Office Police Grant		(78,491)	(78,491)		
(32,943)	(32,943)	DCLG Revenue Support Police Grant		(34,897)	(34,897)		
(6,759)	(6,759)	Council Tax Support Grant		(6,758)	(6,758)		
(2,461)	(2,461)	Council Tax Freeze Grant		(2,461)	(2,461)		
(1,964)	(1,964)	Police Officer Pension Grant		(1,964)	(1,964)		
(66)	(66)	Pension Remedy Grant		0	0		
(1,544)	(1,544)	LCTS 75%		0	0		
(348)	(348)	HO Tax Income Compensation Scheme		0	0		
(12,576)	(12,576)	Home Office Grant Payable to cost of Retirement Benefits		(13,463)	(13,463)		
(80)	(80)	Loss of Income Covid-19		0	0		
(15)	(21)	Redmond Grant		(17)	(23)		
(888)	(888)	Capital Grants and Contributions		(621)	(621)		
<b>(131,816)</b>	<b>(131,822)</b>	<b>Total Non-Specific Grants</b>		<b>(138,672)</b>	<b>(138,678)</b>		

## Grants & Contributions Credited to Services

31 March 2022		31 March 2022		31 March 2023		31 March 2023	
PCC		Group		PCC		Group	
£000		£000		£000		£000	
0	(692)	Counter Terrorism		0	(791)		
(2,742)	(3,221)	Victims Services Commissioning Grant - Victims		(3,116)	(3,595)		
0	(1,400)	HO Police Uplift Programme		0	(1,847)		
0	(169)	HO Police Uplift Secondment Grant		0	0		
0	(39)	Collaboration with other Forces		0	0		
0	(275)	Safer Streets		0	(534)		
0	0	County Lines		0	(89)		
0	(100)	Cyber Crime		0	(118)		
0	(351)	Other Grants and Contributions		0	(102)		
<b>(2,742)</b>	<b>(6,247)</b>	<b>Total Specific Grants</b>		<b>(3,116)</b>	<b>(7,076)</b>		

***The grants received and credited to Taxation and Non-specific Grant Income were for the following reasons:***

### **Home Office Police Grant and DLUHC Revenue Support Grant**

Non ring-fenced grants given to deliver policing services

### **Council Tax Support and Freeze Grants**

Grants awarded to offset reductions in Council Tax income as a result of historical Council Tax freezes and introduction of local council tax support

### **Police Officer Pension Grant**

Grant given to compensate for the increased cost of employer contributions for the Police officers as a result of the last actuarial review

### **Pension Remedy Grant**

Grant to offset the costs of the administration of the pension remedy as a result of the McCloud judgement

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

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

### **LCTS 75%, Loss of income Covid 19 and HO Council Tax compensation**

Grants given to offset losses in the collection fund and also income as a result of Covid 19

### **Redmond**

Grant given to offset the expected increase in external audit costs as a result of the Redmond reforms

### **Capital Grants and contributions**

This includes external contributions towards capital projects with mutual benefits e.g. ANPR cameras and installations.

### ***The grants received and credited to Services Income were for the following reasons:***

#### **Counter Terrorism**

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

#### **Victim Support Grant**

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

#### **Home Office Police Uplift Grant**

Grant given to enable the recruitment of 20,000 new police officers nationwide over 3 years

#### **HO Police Uplift Secondment Grant**

The above table includes a Home Office grant received in 2021/22 in relation to members of staff seconded to the Police Uplift programme.

### **Safer Street, County Lines, Cybercrime and Other Grants**

Discretionary ring fenced grants given by Government in order to address particular issues

### **Grant Receipts in Advance**

The Police and Crime Commissioner sometimes receives grants, contributions and donations that have yet to be recognised as income because they have conditions attached to them that will require the monies or property to be returned if not spent. These receipts are noted in the accounts as liabilities for Grant Receipts in Advance or Grants Unapplied and the balances at the year-end would be detailed here.

The PCC for Surrey does not currently hold any Grants Receipts in Advance or Grants Unapplied liabilities on the balance sheet and has no donated assets with conditions.

Please note there is a usable reserve for capital grants unapplied reserve movements for current and prior years.

## Note 10 - Capital Expenditure and Capital Financing

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

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

<b>Capital Expenditure and Capital Financing</b>		
<b>31 Mar 2022</b>		<b>31 Mar 2023</b>
<b>£000</b>		<b>£000</b>
<b>26,547</b>	<b>Opening Capital Financing Requirement</b>	<b>25,838</b>
	Capital Investment:	
7,388	Property Plant and Equipment	8,371
723	Intangible Assets	612
<b>8,111</b>	<b>Total Capital Spending</b>	<b>8,983</b>
	Sources of Finance:	
(527)	Capital receipts	(687)
(586)	Government Grants and other contributions	(873)
	Sums set aside from revenue:	
(6,554)	- Direct revenue contributions	(7,423)
(1,153)	- Minimum revenue provision	(1,072)
<b>(8,820)</b>	<b>Total Sources of Finance</b>	<b>(10,055)</b>
<b>25,838</b>	<b>Closing Capital Financing Requirement</b>	<b>24,766</b>

## Note 11 - Property, Plant and Equipment

The balance sheet shows assets at fair value by considering their initial valuation plus additions for capital expenditure in the year, revaluation adjustments less disposals and depreciation. This value is shown for the purposes of capital accounting requirements and does not purport to represent the market values of the assets. Changes in Non-Current Assets are summarised below:

Movements to 31 March 2023	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or Valuation at 1 April 2022</b>	<b>95,749</b>	<b>42,328</b>	<b>0</b>	<b>3,031</b>	<b>141,108</b>
Additions	968	2,980		4,423	8,371
Revaluation inc/(dec) recognised in Revaluation Reserve	80,702				80,702
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(746)				(746)
Derecognition – disposals	0	(8,880)			(8,880)
Reclassifications and transfer	43	2,192		(2,235)	0
Assets reclassified (to)/from Investment Properties	0				0
Assets reclassified (to)/from Held for Sale	(390)				(390)
<b>at 31 March 2023</b>	<b>176,326</b>	<b>38,620</b>	<b>0</b>	<b>5,219</b>	<b>220,165</b>
<b>Accumulated Depreciation and Impairment at 1 April 2022</b>	<b>(282)</b>	<b>(24,864)</b>	<b>0</b>	<b>0</b>	<b>(25,146)</b>
Depreciation charge	(2,633)	(5,829)			(8,462)
Depreciation written out to the Revaluation Reserve	2,592				2,592
Depreciation written out to Revenue	4				4
Derecognition – disposals	0	8,621			8,621
Eliminated on reclassification to Held for Sale	18				18
<b>at 31 March 2023</b>	<b>(301)</b>	<b>(22,072)</b>	<b>0</b>	<b>0</b>	<b>(22,373)</b>
<b>Net Book Value at 31 March 2023</b>	<b>176,025</b>	<b>16,548</b>	<b>0</b>	<b>5,219</b>	<b>197,792</b>
<b>at 31 March 2022</b>	<b>95,467</b>	<b>17,464</b>	<b>0</b>	<b>3,031</b>	<b>115,962</b>

Movements to 31 March 2022	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>at 1 April 2021</b>	<b>92,801</b>	<b>39,570</b>	<b>21,000</b>	<b>4,268</b>	<b>157,639</b>
Additions	1,720	2,843		2,825	7,388
Revaluation inc/(dec) recognised in Revaluation Reserve	2,658		225		2,883
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(632)		(143)		(775)
De-recognition – disposals	(500)	(3,134)			(3,634)
Reclassifications and transfer	95	3,049	918	(4,062)	0
Assets reclassified (to)/from Investment Properties	0		(22,000)		(22,000)
Assets reclassified (to)/from Held for Sale	(393)		0		(393)
<b>at 31 March 2022</b>	<b>95,749</b>	<b>42,328</b>	<b>0</b>	<b>3,031</b>	<b>141,108</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>at 1 April 2021</b>	<b>(396)</b>	<b>(22,210)</b>	<b>(47)</b>		<b>(22,653)</b>
Depreciation charge	(2,445)	(5,537)	(524)		(8,506)
Depreciation written out to the Revaluation Reserve	2,441		571		3,012
Depreciation written out to Revenue	28				28
De-recognition – disposals	90	2,883			2,973
<b>at 31 March 2022</b>	<b>(282)</b>	<b>(24,864)</b>	<b>0</b>	<b>0</b>	<b>(25,146)</b>
<b>Net Book Value</b>					
<b>at 31 March 2022</b>	<b>95,467</b>	<b>17,464</b>	<b>0</b>	<b>3,031</b>	<b>115,962</b>
<b>at 31 March 2021</b>	<b>92,405</b>	<b>17,360</b>	<b>20,953</b>	<b>4,268</b>	<b>134,986</b>



Total downward revaluations of property, plant and equipment recognised in cost of services within the CIES (surplus)/deficit on provision of services is £0.742m. This is made up of cost revaluation increases/(decreases) of (£0.746m) and depreciation written out to revenue of £0.004m.

Total (surplus)/deficit on revaluation of property, plant and equipment recognised in Other CIES is (£83.294m). This is made up of cost increases of £80.702m and depreciation written out to the revaluation reserve of £2.592m.

## **Depreciation**

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

Buildings	25-60 years (as assessed by the valuer)
Plant, Furniture & Equipment	5 years (or as assessed by the business)
Vehicles	5 years (or as assessed by the Transport Manager)

## **Effects of Changes in Estimates**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repair and maintenance that will be incurred in relation to individual assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £1.5m for every year that the useful lives had to be reduced.

## **Land and Buildings**

The entire Surrey Police estate was revalued for 2021/22 Statement of Accounts on 31 March 2022. Surrey Police carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years.

The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS) Valuations - Professional Standards 2014 (Revised 2015) & RICS Valuation – Global Standards 2017 ('The Standards'), International Financial Reporting Standards (IFRS) and Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting ('The CIPFA Code'). The valuation

was prepared by Guy Harbord MA MRICS IRRV (Hons) partner in Wilks Head and Eve LLP who are an external organisation and have no ties to Surrey Police.

The significant assumptions applied in estimating the current values of property are:

- Operational purpose-built Police Buildings with integral active Custody to be valued to Depreciated Replacement Cost and Market Value – This reflects the specialised nature of these assets and that they are not traded in the open market – and that we need to identify any significant variation from DRC to MV.
- Operational purpose-built Police Buildings with non-integral active Custody to be valued to Depreciated Replacement Cost for Custody elements and Existing Use Value for non-Custody elements. – The DRC element reflects the specialised nature of these Custody assets and that they are not traded in the open market. The EUV elements reflects the continuing operational use of the assets but that they are no longer so specialised that they could not be traded in the open market.
- Operational purpose-built Police Buildings with closed Custody to be valued to Existing Use Value – This reflects the continuing operational use of the assets but that they are no longer so specialised that they could not be traded in the open market.
- Operational non-purpose-built Police Buildings to be valued to Existing Use Value - This reflects the continuing operational use of the assets but that they are not so specialised that they could not be traded in the open market.
- Residential Police Buildings to be valued to Existing Use Value - This reflects the continuing operational use of the assets but that they are not so specialised that they could not be traded in the open market.
- Surplus buildings to be valued to Market Value - This reflects that the assets could be traded in the open market.

### **Changes to property valuer**

Surrey PCC appointed Wilks Head and Eve as the new property valuer for 2022/23 financial year in Feb 23. As part of the year-end process the Surrey PCC requested the valuation of its main sites that have been subject to ongoing valuation scrutiny as part of the 2021/22 audit. The new valuer has applied different assumptions when valuing Leatherhead and Mount Browne as follows:

Name of the property	NBV 31.03.22 £000	WHE Valuation as at 31-Mar-23 £000	Difference in £000 - WHE valuation- NBV	Difference in % WHE valuation vs NBV
Mount Browne (HQ) Building	15,203	30,484	15,281	101%
Mount Browne (HQ) Land	6,543	42,525	35,982	550%
Leatherhead - Building	8,800	0.00	(8,800)	(100%)
Leatherhead – Land	13,200	15,086	1,886	14%

### Assets under Construction (AUC)

When an asset is initially purchased it is coded to a Capital Project and classed as AUC until complete. For example when a new car is purchased it has to have livery added and any additional equipment installed. Once that is done and the car is operational the asset is transferred from AUC to the Vehicles category. The same principle is true for other classes of PPE including IT projects and Equipment.

AUC for the 2022/23 year of £5.2m, comprised of £2.5m Vehicles, £2.1m Land & Buildings and £0.6m ICT and equipment.

### Physical Assets Held

Physical assets excluding furniture and equipment owned by the PCC as at 31 March 2023 comprised:

	2021/22 No	2022/23 No
Operational Buildings*	15	15
Police Houses	40	40
Police Vehicles	813	816
<b>Total</b>	<b>868</b>	<b>871</b>

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

## Note 12 - Intangible Assets

The Police and Crime Commissioner classifies computer software and systems development as intangible assets, to the extent that the software is not an integral part of a particular IT system or accounted for as part of the hardware of the asset which is classified under Property, Plant and Equipment.

Intangible assets expenditure during the year include purchased computer software and systems development, the PCC for Surrey does not currently have any internally generated assets capitalised. All intangible assets are given a finite useful life and amortised on a straight-line basis over the economic life of the investment to reflect the pattern of consumption of benefits.

The useful lives are assessed on an individual basis and are generally for 3 years (or as assessed by the business).

Amortisation of £1.2m (2021/22 £1.5m) was charged to the Net Expenditure of Services within the Comprehensive Income and Expenditure Statement in 2022/23.

The movement on Intangible Asset balances during the year is illustrated in the following table.

Other Assets	31 March 2022				31 March 2023		
	Intangible Assets Under Development	Total			Other Assets	Intangible Assets Under Development	Total
	£000	£000	£000		£000	£000	£000
				Balance at start of year:			
8,260	98	8,358		Gross carrying amounts	6,588	520	7,108
(3,532)	0	(3,532)		Accumulated amortisation	(4,638)	0	(4,638)
(959)	0	(959)		Accumulated impairment	0	0	0
<b>3,769</b>	<b>98</b>	<b>3,867</b>		<b>Net carrying amount at start of year</b>	<b>1,950</b>	<b>520</b>	<b>2,470</b>
				Additions:			
0	723	723		Purchases	0	612	612
(1,973)		(1,973)		Other disposals	(2,616)		(2,616)
301	(301)	0		Reclassifications and transfers	880	(880)	0
959		959		Reversal of past impairment losses recognised in the Deficit on Provision of Services	0		0
(1,500)		(1,500)		Amortisation for the period	(1,241)		(1,241)
394		394		Amortisation written off on disposal	2,616		2,616
<b>1,950</b>	<b>520</b>	<b>2,470</b>		<b>Net carrying amount at end of year</b>	<b>1,589</b>	<b>252</b>	<b>1,841</b>
				Comprising:			
6,588	520	7,108		Gross carrying amounts	4,852	252	5,104
(4,638)	0	(4,638)		Accumulated amortisation	(3,263)	0	(3,263)
<b>1,950</b>	<b>520</b>	<b>2,470</b>		<b>Total</b>	<b>1,589</b>	<b>252</b>	<b>1,841</b>

## Note 13 - Debtors

31 March 2022			31 March 2023	
PCC	Group	Category of Debtor	PCC	Group
£000	£000		£000	£000
1,364	1,364	Trade Receivables	1,951	1,951
6,092	6,092	Prepayments	5,867	5,867
11,645	11,755	Other Receivable Amounts	18,048	18,158
<b>19,101</b>	<b>19,211</b>	<b>TOTAL DEBTORS</b>	<b>25,866</b>	<b>25,976</b>

The following tables provide further detail on items included within the debtor categories above.

Analysis of Other Receivable Amounts:

31 March 2022			31 March 2023	
PCC	Group		PCC	Group
£000	£000		£000	£000
2,164	2,164	Collaboration	2,292	2,292
4,312	4,312	Council Tax Debtors	6,287	6,287
81	81	Other	336	336
0	110	Restructuring Provision	0	110
574	574	Partnership Monies	230	230
1,294	1,294	Payroll/Pension	4,398	4,398
288	288	Secondments	0	0
2,306	2,306	VAT	614	614
0	0	Estates	636	636
625	625	Grants/Contributions	3,255	3,255
1	1	Rounding	0	0
<b>11,645</b>	<b>11,755</b>	<b>Total Other Receivable Amounts</b>	<b>18,048</b>	<b>18,158</b>

Analysis of Prepayments:

31 March 2022			31 March 2023		
PCC	Group		PCC	Group	
£000	£000		£000	£000	
159	159	Estates	150	150	
839	839	Insurance/Legal/Property	869	869	
47	47	Other	0	0	
3,667	3,667	Payroll/Pension	3,801	3,801	
694	694	Capital	377	377	
686	686	IT Costs-Leases	670	670	
<b>6,092</b>	<b>6,092</b>	<b>Total Prepayments</b>	<b>5,867</b>	<b>5,867</b>	

## Note 14 - Cash and Cash Equivalents

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

31 March 2022		31 March 2023	
	£000		£000
1,284	Cash and Bank balances	1,344	
25,693	Short Term Investments	32,773	
<b>26,977</b>	<b>Total Cash and Cash Equivalents</b>	<b>34,117</b>	

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

## Note 15 - Assets Held for Sale

As at 31 March 2023, 1 property met the criteria of being held for sale. The following chart summarises the transactions that took place in 2022/23 and the chart shows the closing balance as of 31 March 2023:

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
0	Balance outstanding at start of year	393
	Assets newly classified as held for sale:	
393	Property, plant and equipment	372
0	Asset sold	(393)
<b>393</b>	<b>Balance outstanding at start of year</b>	<b>372</b>

## Note 16 – Investment Properties

These properties are held for the purpose of capital appreciation. Therefore they fall under the definition of investment properties as per the CIPFA code of Practice whereby they are used solely to earn rentals or for capital appreciation or both.

The following table summarises the movements within the investment properties as of 31 March 2023.

<b>Current</b>		<b>Current</b>
<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
1,203	Balance outstanding at start of year	23,267
	Asset newly classified as Investment properties:	
22,000	Transfers from surplus assets	0
64	Net gains/losses from fair value adjustments	(4,775)
0	Asset sold	(169)
<b>23,267</b>	<b>Balance outstanding at year end</b>	<b>18,323</b>



## Note 17 - Creditors

31 March 2022			31 March 2023	
PCC	Group	Category of Creditor	PCC	Group
£000	£000		£000	£000
(4,291)	(4,291)	Trade Payables	(1,839)	(1,839)
(25,463)	(26,761)	Other Payables	(30,739)	(32,121)
<b>(29,754)</b>	<b>(31,052)</b>	<b>TOTAL CREDITORS</b>	<b>(32,578)</b>	<b>(33,960)</b>

The following table provides further detail on items included within the "Other Payables" creditor category above:

31 March 2022			31 March 2023	
PCC	Group	Other Payables	PCC	Group
£000	£000		£000	£000
(422)	(422)	Capital	(1,169)	(1,169)
(1,653)	(1,653)	Collaboration	(2,866)	(2,866)
(4,001)	(4,001)	Council Tax Debtors	(4,568)	(4,568)
(956)	(956)	Estates	(1,680)	(1,680)
(2,682)	(2,682)	Forfeiture Monies	(2,932)	(2,932)
(623)	(623)	Insurance/Legal/Property	(497)	(497)
(1,714)	(1,714)	Other	(1,137)	(1,137)
(6,179)	(6,179)	Partnership Monies	(6,611)	(6,611)
0	(1,299)	Holiday Pay	0	(1,382)
(2,858)	(2,858)	Payroll/Pension	(3,278)	(3,278)
0	0	IT	(1,147)	(1,147)
(4,374)	(4,374)	Tax	(4,854)	(4,854)
(1)	0	Rounding	0	0
<b>(25,463)</b>	<b>(26,761)</b>	<b>Total Other Payables</b>	<b>(30,739)</b>	<b>(32,121)</b>

## Note 18 - Provisions

Provisions held at 31 March 2023 are as follows:

### Current Provisions

2022/23	Restructuring Provision	Insurance Provision	Total
	£000	£000	£000
Opening Balance	(110)	(2,965)	(3,075)
Utilised during the year	0	89	89
<b>Closing Balance</b>	<b>(110)</b>	<b>(2,876)</b>	<b>(2,986)</b>

  

2021/22	Restructuring Provision	Insurance Provision	Total
	£000	£000	£000
Opening Balance	(110)	(2,930)	(3,040)
Increase in provision during year	0	(35)	(35)
<b>Closing Balance</b>	<b>(110)</b>	<b>(2,965)</b>	<b>(3,075)</b>

### Restructuring Provision

The restructuring provision has been created for restructuring costs in accordance with Strategic Change Programmes that had formal plans or supporting business cases as at the 31 March 2023. These change programmes are either in the process of being implemented or will be implemented during 2023/24. This provision is held in the Chief Constable's balance sheet and is shown here as part of the Group position.

### Insurance Provision

The insurance provision is to cover the anticipated costs of covering the excess on reported claims in line with Group estimates and the actuarial report produced by Gallagher (Arthur J. Gallagher Insurance Brokers Ltd). This provision is held in the PCC's balance sheet and is shown here as part of the Group position.

## Note 19 - Usable Reserves

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

<b>31 March 2022</b>	<b>Usable Reserves</b>	<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(9,134)	General Fund Balance	(9,897)
(12,333)	Earmarked General Fund Balance	(20,906)
0	Capital Receipts Reserve	0
(3,969)	Capital Grants Unapplied	(3,874)
<b>(25,436)</b>	<b>Total Usable Reserves</b>	<b>(34,677)</b>

### Capital Receipts Reserve

<b>31 Mar 2022</b>		<b>31 Mar 2023</b>
<b>£000</b>		<b>£000</b>
0	Balance 1 April	0
(527)	Capital Receipts in year	(687)
527	Capital Receipts used for financing	687
<b>0</b>	<b>Balance 31 March</b>	<b>0</b>

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

## Capital Grants Unapplied

31 Mar 2022		31 Mar 2023	
£000		£000	
(1,863)	Balance 1 April	(3,969)	
(888)	Capital grants recognised in year	(621)	
586	Capital grants and contributions applied	873	
(1,804)	Other movements	(157)	
<b>(3,969)</b>	<b>Balance 31 March</b>	<b>(3,874)</b>	

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

## Note 20 - Unusable Reserves

31 March 2022			31 March 2023		
PCC	Group	Unusable Reserves	PCC	Group	
£000	£000		£000	£000	
(51,983)	(51,983)	Revaluation Reserve PPE	(133,319)	(133,319)	
(334)	(334)	Revaluation Reserve Equity Instruments	(320)	(320)	
(64,614)	(64,614)	Capital Adjustment Account	(60,588)	(60,588)	
2,672	2,163,196	Pension Reserve	(312)	1,385,401	
(312)	(312)	Collection Fund Adjustment Account	(1,718)	(1,718)	
0	1,299	Accumulated Absences Account	0	1,382	
0	0	Rounding	(1)	(1)	
<b>(114,571)</b>	<b>2,047,252</b>	<b>Total Unusable Reserves</b>	<b>(196,258)</b>	<b>1,190,837</b>	

## Revaluation Reserve PPE

31 March 2022 £000		31 March 2023 £000
<b>(47,678)</b>	<b>Balance 1 April</b>	<b>(51,983)</b>
(6,295)	Upward revaluation of assets	(88,281)
400	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	4,987
<b>(5,895)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(83,294)</b>
1,436	Difference between fair value depreciation and historical cost depreciation	1,516
154	Accumulated gains on assets sold or scrapped	442
<b>1,590</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>1,958</b>
	Other movements	
<b>(51,983)</b>	<b>Balance 31 March</b>	<b>(133,319)</b>

The Revaluation Reserve contains the gains made by the Police and Crime Commissioner arising from increases in the value of its Property, Plant and Equipment and Intangible Assets.

The Revaluation Reserve balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account

This reserve records the accumulated gains on non-current assets held by the Group

### Revaluation Reserve Equity Instruments

31 March 2022 £000		31 March 2023 £000
<b>(243)</b>	<b>Balance 1 April</b>	<b>(334)</b>
(91)	Upward revaluation of investments	(11)
0	Downward revaluation of investments	25
<b>(334)</b>	<b>Balance 31 March</b>	<b>(320)</b>

The revaluation reserve for equity investments contains the gains made by the authority arising from increases in the value of its investments in equity loans to police officers to assist in the purchase of their properties. These are measured at fair value and movements put through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

## Capital Adjustment Account

31 March 2022		31 March 2023
£000		£000
<b>(66,174)</b>	<b>Balance 1 April</b>	<b>(64,614)</b>
8,507	Charges for depreciation and impairment of non-current assets	8,462
747	Revaluation losses on non-current assets	742
1,500	Amortisation of intangible assets	1,241
1,281	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	820
12,035	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	11,265
(1,590)	Adjusting Amounts written out of the Revaluation Reserve	(1,958)
<b>10,445</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>9,307</b>
(527)	Use of Capital Receipts Reserve to finance new capital expenditure	(687)
(586)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(873)
(1,153)	Statutory provision for financing of capital investment charged against the General Fund	(1,073)
(6,554)	Capital expenditure charged against the General Fund and HRA balances	(7,423)
<b>(8,820)</b>	<b>Capital financing applied in year:</b>	<b>(10,056)</b>
(65)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	4,775
<b>(64,614)</b>	<b>Balance 31 March</b>	<b>(60,588)</b>

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

## Pension Reserve

31 March 2022			31 March 2023	
PCC	Group		PCC	Group
£000	£000		£000	£000
<b>2,461</b>	<b>2,176,507</b>	<b>Balance 1 April</b>	<b>2,672</b>	<b>2,163,196</b>
(58)	(92,974)	Re-measurements of the net defined benefit (liability)/asset	(3,332)	(859,622)
393	134,403	Reversal of items relating to retirement benefits debited or credited to Surplus/Deficit on the Provision of Services in the CIES	503	133,447
(124)	(54,740)	Employer's pensions contributions and direct payments to pensioners payable in the year	(155)	(51,620)
<b>2,672</b>	<b>2,163,196</b>	<b>Balance 31 March</b>	<b>(312)</b>	<b>1,385,401</b>

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

The Pensions Reserve reflects the timing differences 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]. The group accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, 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 Group maker employer contributions to pension funds, or eventual payment of any pensions for which it is directly responsible.

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

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 arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Actuarial gains and losses are also recognised as movements on reserve above.



### Collection Fund Adjustment Account

31 March 2022		31 March 2023	
£000		£000	
2,076	Balance 1 April	(312)	
(2,388)	Amount by which council tax and non-domestic rates income credited to the CIES differs from council tax income calculated for the year in accordance with statutory requirements	(1,406)	
<b>(312)</b>	<b>Balance 31 March</b>	<b>(1,718)</b>	

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

### Accumulated Absences Account

31 March 2022		31 March 2023	
£000		£000	
<b>1,951</b>	<b>Balance 1 April</b>	<b>1,299</b>	
(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	
<b>1,299</b>	<b>Balance 31 March</b>	<b>1,382</b>	

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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. The above figures are for the Group and come from the Chief Constable accounts as the PCC had no material balances for accumulated absences at the end of the 2022/23 year.

### Note 21 - Collaborations

The PCC 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 PCC 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.

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

<b>Surrey Share 2021/22 £m</b>	<b>Collaboration Area</b>	<b>Surrey Share 2022/23 £m</b>
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
<b>58.9</b>	<b>Total</b>	<b>64.7</b>

\*Previously  
known as vetting

## Note 22 - Leases

### The Group as a Lessee

As at the 31 March 2023 the Group had the following future obligations in respect of operating leases:

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

The Group did not enter into a new operating leases for this category during 2022/23. Payments due in 2023/24 total £0.45m (2021/22 £0.45m).

#### ***Land and Buildings***

The Group terminated two leases for this category in 2022/23. For these and existing arrangements held under operating leases during 2022/23 rental payments were £1.10m (2021/22 £1.08m).

#### ***Commitments Under Operating Leases***

The Group was committed at 31 March 2023 to making payments of £1.6m under operating 12 operating leases in 2023/24, £4.34m payment commitment for 10 operating leases that will take place in the period from 2024/25 to 2027/28, and £3.9m payment commitment for 7 operating leases that will be taking place from 2028/29 to 2039/40, therefore the Group has future commitments of £9.8m for leasing premises for policing purposes:

#### **Authority as Lessee - Operating Leases**

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

31 March 2022		31 March 2023
£000		£000
1,555	Not later than one year	1,550
5,428	Later than one year and not later than five years	4,344
4,783	Later than five years	3,864
<b>11,766</b>	<b>Total</b>	<b>9,758</b>

### The Group as a Lessor

The Group leases sites under operating lease arrangements to other public organisations and/or partnerships such as Surrey County Council.

The group is expecting a rental income from its sites of £261k in 2023/24.

#### **Authority as Lessor - Operating Leases**

<b>31/03/2022</b>			<b>31/03/2023</b>
<b>£000</b>			<b>£000</b>
255		Not later than one year	261
0	Later than one year and not later than five years		0
0		Later than five years	0
<b>255</b>		<b>Total</b>	<b>261</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents receivable by the Group 2022/23 (2021/22 £Nil).

#### [Note 23 - Service Concession Arrangements](#)

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

#### [Note 24 - 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

Chair Allowance                              £2,577.50 per annum

## Note 25 - 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 Police and Crime Commissioner for Surrey organisations are also required to be disclosed. 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 which are shown separately further in this note.

<b>No. Employees 31 March 2022</b>	<b>Gross Remuneration £</b>	<b>No. Employees 31 March 2023</b>
379	50,000 to 54,999	472
206	55,000 to 59,999	276
136	60,000 to 64,999	145
32	65,000 to 69,999	47
14	70,000 to 74,999	18
15	75,000 to 79,999	15
8	80,000 to 84,999	11
9	85,000 to 89,999	9
8	90,000 to 94,999	8
4	95,000 to 99,999	7
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
1	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
<b>815</b>	<b>Total</b>	<b>1015</b>

## Remuneration paid to senior employees responsible for the management of Surrey Police in 2022/23:

Position	Position Start Date	Position End Date	Salary, Fees & Allowances	Employers Pension Contribution	Benefit in kind	Annual Leave not yet taken	Total Remuneration
			£	£	£	£	£
<b>Police Officers</b>							
Chief Constable (G Stephens)	20/01/2019	31/03/2023	180,029	48,129	1886		<b>230,044</b>
Deputy Chief Constable	23/09/2019		139,869	39,546		492	<b>179,907</b>
Assistant Chief Constable	07/10/2019		133,337	37,302			<b>170,639</b>
Assistant Chief Constable	16/12/2019		132,758	37,302			<b>170,060</b>
Chief Superintendent	01/04/2021		94,026	28,443	3233		<b>125,702</b>
Chief Superintendent	09/06/2014		97,188	27,199		343	<b>124,730</b>
Chief Superintendent	14/10/2019		97,015	28,786			<b>125,801</b>
Chief Superintendent	16/12/2019		96,297	28,786	4441		<b>129,524</b>
Chief Superintendent	01/05/2022		85,952	25,058			<b>111,010</b>
<b>Police Staff</b>							
Head of Corporate Communications	16/07/2018		80,744	12,477		37	<b>93,258</b>
Chief Information Officer	01/07/2021		150,366	23,260		-	<b>173,626</b>
<b>TOTAL CHIEF CONSTABLE</b>			<b>1,287,581</b>	<b>336,288</b>	<b>9560</b>	<b>343</b>	<b>1,634,301</b>
<b>Officers of the PCC</b>							
PCC	12/05/2021		74,908	12,068		2812	<b>89,788</b>
PCC Chief Executive Officer	27/09/2010		87,813	14,372		3317	<b>105,502</b>
PCC Chief Finance Officer	01/04/2020		95,888	15,558		10	<b>111,456</b>
Deputy PCC	01/06/2021		56,901	9,051		2109	<b>68,061</b>
<b>TOTAL PCC</b>			<b>315,510</b>	<b>51,049</b>	<b>0</b>	<b>8,248</b>	<b>374,807</b>
<b>TOTAL GROUP</b>			<b>1,603,091</b>	<b>387,337</b>	<b>9560</b>	<b>8,591</b>	<b>2,009,108</b>

## Remuneration paid to senior employees responsible for the management of Surrey Police in 2021/22:

Position	Position Start Date	Position End Date	Salary, Fees & Allowances	Employers Pension Contribution	Benefit in kind	Annual Leave not yet taken	Total Remuneration
			£	£	£	£	£
<b>Police Officers</b>							
Chief Constable (G Stevens)	20/01/2019		157,836	47,517	6740		<b>212,093</b>
Deputy Chief Constable	23/09/2019		138,260	39,202			<b>177,462</b>
Assistant Chief Constable	07/10/2019		128,266	35,868			<b>164,134</b>
Temporary Assistant Chief Constable	16/12/2019		127,140	35,464			<b>162,604</b>
Chief Superintendent	01/04/2021		90,959	27,323	3779		<b>122,061</b>
Chief Superintendent	09/06/2014		95,829	20,707	3771	352	<b>120,659</b>
Chief Superintendent	02/01/2018	31/01/2022	87,242				<b>87,242</b>
Chief Superintendent	14/10/2019		96,010	28,888			<b>124,898</b>
Chief Superintendent	16/12/2019		93,731	28,039	4618	88	<b>126,476</b>
<b>Police Staff</b>							
Head of Corporate Communications	16/07/2018		77,597	12,014			<b>89,611</b>
Chief Information Officer	01/07/2021		95,047	14,542		-	<b>109,589</b>
<b>TOTAL CHIEF CONSTABLE</b>			<b>1,187,917</b>	<b>289,564</b>	<b>18,908</b>	<b>440</b>	<b>1,496,829</b>
<b>Officers of the PCC</b>							
PCC	12/05/2016	11/05/2021	8,390	1,362			<b>9,752</b>
PCC	12/05/2021		63,942	10,419			<b>74,361</b>
PCC Chief Executive Officer	27/09/2010		73,260	12,047			<b>85,307</b>
PCC Chief Finance Officer	01/04/2020		81,616	13,292			<b>94,908</b>
Deputy PCC	01/06/2021		46,120	7,536			<b>53,656</b>
<b>TOTAL PCC</b>			<b>273,328</b>	<b>44,656</b>	<b>0</b>	<b>0</b>	<b>317,984</b>
<b>TOTAL GROUP</b>			<b>1,461,245</b>	<b>334,220</b>	<b>18,908</b>	<b>440</b>	<b>1,814,813</b>

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 1<sup>st</sup> April 2022 to 31<sup>st</sup> 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

<b>Exit Packages</b>				
<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages in each band (£)</b>	<b>Exit cost band (including special payments)</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages in each band (£)</b>
<b>2021/22</b>	<b>2021/22</b>		<b>2022/23</b>	<b>2022/23</b>
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

For the numbers and total amounts of exit packages paid to employees of the Group shown in the table above, all payments were for redundancies.

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



## Note 26 - Defined Benefit Pension Scheme

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

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

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

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. In accordance with IAS 19 requirements, the amount includes current and past service costs, curtailments and settlements, together with the gains/losses on the police injury pension. The current service cost and valuation of the Schemes as at 31 March 2022 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.

### **Benefit changes**

From 1 April 2015 the new benefit structure came into effect for the Police Pension Scheme. All active members on that date were moved into the new scheme from 1 April 2015 unless they qualified for protections that allowed them to remain in their

previous scheme. These changes were taken into account in the prior year Statements of Account within the balance sheet, revenue account disclosures and project pension expense for the following financial year. The McCloud judgement declared this fell within age discrimination legislation and has since been adjusted for in the 2022/23 accounts.

### **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			
PCC LGPS	CC LGPS	Police Officers	Total		PCC LGPS	CC LGPS	Police Officers	Total
Movement in Reserves Statement								
£000	£000	£000	£000		£000	£000	£000	£000
(393)	(34,770)	(99,240)	(134,403)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(503)	(31,664)	(101,280)	(133,447)
124	11,416	43,200	54,740	Employers' contributions payable to scheme	155	11,465	40,000	51,620
<b>(269)</b>	<b>(23,354)</b>	<b>(56,040)</b>	<b>(79,663)</b>		<b>(348)</b>	<b>(20,199)</b>	<b>(61,280)</b>	<b>(81,827)</b>

2021/22				2022/23				
Pensions Assets and Liabilities Recognised in the Balance Sheet								
PCC LGPS	CC LGPS	Police Officers	Total		PCC LGPS	CC LGPS	Police Officers	Total
£000	£000	£000	£000		£000	£000	£000	£000
(8,252)	(555,314)	(1,994,150)	(2,557,716)	Present value of the defined obligation	(5,370)	(375,115)	(1,401,870)	(1,782,355)
5,580	388,940	0	394,520	Fair value of plan assets	5,682	391,272	0	396,954
<b>(2,672)</b>	<b>(166,374)</b>	<b>(1,994,150)</b>	<b>(2,163,196)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>312</b>	<b>16,157</b>	<b>(1,401,870)</b>	<b>(1,385,401)</b>

2021/22				Movements in the Value of Scheme Assets	2022/23			
PCC LGPS	CC LGPS	Police Officers	Total		PCC LGPS	CC LGPS	Police Officers	Total
£000	£000	£000	£000		£000	£000	£000	£000
<b>3,442</b>	<b>358,772</b>	<b>0</b>	<b>362,214</b>	<b>Opening fair value of scheme assets</b>	<b>5,580</b>	<b>388,940</b>	<b>0</b>	<b>394,520</b>
72	7,430	0	7,502	Interest income	156	10,793		10,949
				Re-measurement gain / (loss):				
				- The return on plan assets, excluding the amount included in the net interest expense	(233)	(16,109)	0	(16,342)
124	11,416	43,200	54,740	Contributions from employer	155	11,465	40,000	51,620
				Contributions from employees into the scheme				
61	3,744	9,370	13,175	Transfers in	75	3,784	10,570	14,429
(43)	(7,294)	(52,800)	(60,137)	Benefits Paid	(51)	(7,601)	(50,610)	(58,262)
1,725	(5,621)	0	(3,896)	Other Experience				
<b>5,580</b>	<b>388,940</b>	<b>0</b>	<b>394,520</b>	<b>Net (liability) / asset arising from the defined benefit obligation Assets</b>	<b>5,682</b>	<b>391,272</b>	<b>0</b>	<b>396,954</b>

2021/22

Movements in the Value of  
Scheme Liabilities

2022/23

<b>PCC LGPS</b>	<b>CC LGPS</b>	<b>Police Officers</b>	<b>Total</b>		<b>PCC LGPS</b>	<b>CC LGPS</b>	<b>Police Officers</b>	<b>Total</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>(5,903)</b>	<b>(575,908)</b>	<b>(1,956,910)</b>	<b>(2,538,721)</b>	<b>Opening balance at 1 April</b>	<b>(8,252)</b>	<b>(555,314)</b>	<b>(1,994,150)</b>	<b>(2,557,716)</b>
(340)	(29,955)	(59,930)	(90,225)	Current service cost	(426)	(26,750)	(48,320)	<b>(75,496)</b>
(125)	(12,069)	(39,310)	(51,504)	Interest cost	(233)	(15,575)	(52,960)	<b>(68,768)</b>
(61)	(3,744)	(9,370)	(13,175)	Contributions from scheme participants	(75)	(3,784)	(10,570)	<b>(14,429)</b>
				Re-measurement gains and losses:				
(2,837)	9,884	(8,020)	(973)	- Actuarial gains / (losses) experience:	(370)	(33,749)	(109,220)	<b>(143,339)</b>
228	2,984	0	3,212	- Actuarial gains / (losses) from changes in demographic assumptions	34	2,825	39,880	<b>42,739</b>
743	46,376	26,820	73,939	- Actuarial gains / (losses) from changes in financial assumptions	3,901	249,763	722,900	<b>976,564</b>
0	(176)	0	(176)	Past service cost	0	(132)	0	<b>(132)</b>
0	0	(230)	(230)	Transfers in	0	0	(40)	<b>(40)</b>
43	7,294	52,800	60,137	Benefits / transfers paid	51	7,601	50,610	<b>58,262</b>
<b>(8,252)</b>	<b>(555,314)</b>	<b>(1,994,150)</b>	<b>(2,557,716)</b>	<b>Net (liability) / asset arising from the defined benefit obligation Liabilities</b>	<b>(5,370)</b>	<b>(375,115)</b>	<b>(1,401,870)</b>	<b>(1,782,355)</b>

**LGPS – Pension Scheme – Assets comprised of:**

**Fair value of scheme assets**

2021/22		2021/22		2022/23		2022/23	
PCC		CC		PCC		CC	
£000		£000		£000		£000	
<b>EQUITY SECURITIES</b>							
98	6,804	Consumer		79	6,144		
78	5,425	Manufacturing		59	5,129		
17	1,206	Energy and Utilities		25	1,967		
65	4,514	Financial Institutions		116	6,958		
67	4,646	Health and Care		91	6,085		
175	12,171	Information Technology		156	8,619		
0	0	Other		0	0		
<b>500</b>	<b>34,766</b>	<b>Subtotal EQUITY SECURITIES</b>		<b>526</b>	<b>34,902</b>		
<b>DEBT SECURITIES</b>							
186	12,945	UK Government		0	0		
<b>186</b>	<b>12,945</b>	<b>Subtotal DEBT SECURITIES</b>		<b>0</b>	<b>0</b>		
<b>PRIVATE EQUITY</b>							
549	38,222	All		832	55,410		
<b>549</b>	<b>38,222</b>	<b>Subtotal PRIVATE EQUITY</b>		<b>832</b>	<b>55,410</b>		
<b>REAL ESTATE</b>							
222	15,518	UK Property		198	14,390		
119	8,290	Overseas Property		119	9,188		
<b>341</b>	<b>23,808</b>	<b>Subtotal REAL ESTATE</b>		<b>317</b>	<b>23,578</b>		
<b>INVESTMENT FUNDS &amp; UNIT TRUSTS</b>							
3,276	228,385	Equities		3,270	227,869		
611	42,599	Bonds		609	42,364		
<b>3,887</b>	<b>270,984</b>	<b>Subtotal INVESTMENT FUNDS &amp; UNIT TRUSTS</b>		<b>3,879</b>	<b>270,233</b>		
<b>DERIVATIVES</b>							
(23)	(1,575)	Foreign Exchange		24	(1,043)		
<b>(23)</b>	<b>(1,575)</b>	<b>Subtotal DERIVATIVES</b>		<b>24</b>	<b>(1,043)</b>		
<b>CASH and CASH EQUIVALENTS</b>							
140	9,788	All		103	8,192		
<b>140</b>	<b>9,788</b>	<b>Subtotal PRIVATE EQUITY</b>		<b>103</b>	<b>8,192</b>		
		Rounding		1			
<b>5,580</b>	<b>388,938</b>	<b>Total Assets</b>		<b>5,682</b>	<b>391,272</b>		

The significant assumptions used by the actuary have been:

2021/22	LGPS	2022/23
<b>Long term expected rate of return on assets</b>		
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%
<b>Mortality assumptions - current pensioners</b>		
22.3	Men	21.5
24.9	Women	24.5
<b>Mortality assumptions - future pensioners</b>		
23.1	Men	22.5
26.3	Women	26.1
<b>Financial assumptions</b>		
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 been significantly lower than expected (compared to last year's accounting discount rate assumption), this results in an increase of £2.4m compared to a prior year increase of £20.7m 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 above.

2021/22	Police Officer Schemes	2022/23
<b>Mortality assumptions</b>		



Longevity at retirement for 65 year old current pensioners

22.1	Men	21.9
23.8	Women	23.5
23.8	Men	23.5
25.4	Women	25
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%

**Impact of assumptions on the LGPS obligation:**

2021/22		LGPS	2022/23	
Increase by 0.5%	Increase by 0.5%		Increase by 0.5%	Increase by 0.5%
PCC £000	CC £000		PCC £000	CC £000
235	6,535	Rate of increase in salaries	145	3,915
795	58,040	Rate of increase in pensions	520	38,855
(1,040)	(65,020)	Rate for discounting scheme liabilities	(660)	(42,150)

**Impact of assumptions on the police pension fund obligation:**

2021/22

2022/23

<b>Increase by 0.5%</b>	<b>Police Officers</b>		<b>Increase by 0.5%</b>
<b>£000</b>	<b>Assumption</b>		<b>£000</b>
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)

  

<b>Increase by 1 year</b>	<b>Police Officers</b>		<b>Decrease by 1 year</b>
<b>£000</b>	<b>Assumption</b>		<b>£000</b>
68,000	Longevity		36,000

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions in the preceding table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £1,402m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,385m. 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.

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.

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 27 - External Audit Costs

2021/22				2022/23		
CC	PCC	Group		CC	PCC	Group
£000	£000	£000		£000	£000	£000
31.9	31.9	63.8	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	25.0	40.4	65.4
(2.3)	(5.9)	(8.2)	PSAA Refund	0.0	0.0	0.0
5.6	12.2	17.8	19/20 additional EY fee PSAA approved	0.0	0.0	0.0
0	0	0	20/21 additional EY fee PSAA approved	36.7	36.7	73.4
0	0	0	Adjustment to Standard EY fees 21/22	(18.8)	0.0	(18.8)
<b>35.2</b>	<b>38.2</b>	<b>73.4</b>	<b>Total</b>	<b>42.9</b>	<b>77.1</b>	<b>120.0</b>

## Note 28 - Related Parties

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

### **Officers of the Police and Crime Commissioner for Surrey and Chief Constable of Surrey**

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

Details of all related party transactions are recorded in the Register of Members' Interest. Officers and Chief Officers of the Force and the Police and Crime Commissioner are required to declare whether they or any member of their immediate family,

have had any related party transactions (i.e. significant financial dealings) with the Police and Crime Commissioner for Surrey and or the Chief Constable's Force during the financial year.

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

Legal services are provided to the Surrey Police Group of £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 from 1 April 2017) is employed by Weightmans LLP.

### **Central Government and Other Public Organisations**

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

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

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

Details of grants received from government departments are set out in the subjective analysis Grant Income Note 9. Details of Joint working arrangements are included in the Collaboration Arrangements Note 21.

### **Note 29 - 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 Police and Crime Commissioner and Chief Constable of Surrey Group had no contingent liabilities.

## Note 30 - Contingent Assets

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

## Note 31 - Financial Instruments

Non Current Financial Assets				
	Debtor		Total	
	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23
	£000	£000	£000	£000
Fair Value OCI	677	665	677	665
<b>Total financial assets</b>	<b>677</b>	<b>665</b>	<b>677</b>	<b>665</b>
Non - financial Assets	141,699	234,425	141,699	234,425
<b>Total non current assets</b>	<b>142,376</b>	<b>235,090</b>	<b>142,376</b>	<b>235,090</b>

Current Financial Assets						
	Debtor		Cash		Total	
	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23
	£000	£000	£000	£000	£000	£000
Amortised Cost	1,455	2,020	26,977	34,117	28,432	36,137
<b>Total financial assets</b>	<b>1,455</b>	<b>2,020</b>	<b>26,977</b>	<b>34,117</b>	<b>28,432</b>	<b>36,137</b>
Non - financial Assets	19,157	25,227	0	0	19,157	25,227
<b>Total current assets</b>	<b>20,612</b>	<b>27,247</b>	<b>26,977</b>	<b>34,117</b>	<b>47,589</b>	<b>61,364</b>

Non Current Financial Liabilities				
	Borrowing		Total	
	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23
	£000	£000	£000	£000
Amortised Cost	(14,458)	(13,798)	(14,458)	(13,798)
<b>Total financial assets</b>	<b>(14,458)</b>	<b>(13,798)</b>	<b>(14,458)</b>	<b>(13,798)</b>
Non - Financial Liabilities	(2,163,196)	(1,401,870)	(2,163,196)	(1,401,870)
<b>Total non current liabilities</b>	<b>(2,177,654)</b>	<b>(1,415,668)</b>	<b>(2,177,654)</b>	<b>(1,415,668)</b>

The loan from the PWLB Board was borrowed for capital purposes in line with the CIPFA Prudential Code for Capital Finance.

The year-end balance represents totals for long term finance borrowing and loans.

- For the loan from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- Estimated interest rates at 31 March 2023 for loans from the PWLB are based on a loan rate of 2.34% discounted at a rate of 1.65%.
- No early repayment or impairment is recognised.

The fair value of the PWLB loan is calculated at £15.2m as at 31 March 2022.

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

The fair value of the PWLB loan is higher than the carrying amount because the fixed rate loan's interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

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

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

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

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

<b>Current Financial Liabilities</b>				
	<b>Creditors</b>		<b>Total</b>	
	<b>31-Mar-22</b>	<b>31-Mar-23</b>	<b>31-Mar-22</b>	<b>31-Mar-23</b>
	£000	£000	£000	£000
Amortised Cost	(4,326)	(1,978)	(4,326)	(1,978)
<b>Total financial assets</b>	<b>(4,326)</b>	<b>(1,978)</b>	<b>(4,326)</b>	<b>(1,978)</b>
Non - Financial Liabilities	(29,801)	(34,967)	(29,801)	(34,967)
<b>Total current liabilities</b>	<b>(34,127)</b>	<b>(36,945)</b>	<b>(34,127)</b>	<b>(36,945)</b>

## Note 32 - Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

### **Credit and Counterparty Risk**

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

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

The maximum exposure to credit risk at the Balance Sheet date was as follows: trade receivables £2.0m (2021/22 £1.4m), and cash and temporary loan investments £34.1m (2021/22 £27.0m). The Group does not have any material exposure to concentrations of credit risk with any single counterparty.

### **Liquidity Risk**

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

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

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

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

### **Interest Rate Risk**

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

Since the Group investment activity is undertaken by Surrey County Council, fixed and variable rate exposure limits are set so as not to conflict with that Council's prevailing limits. In order to achieve this, both fixed and variable rate upper and lower exposure limits have been set at 100% and 0% respectively.

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



As at 31 March 2023, the Group has borrowing of £13.5m (2021/22 £14.0m) and hold £32.8m in variable rate loan investments (2021/22 £25.7m).

### Note 33 - Financing and Investment Income and Expenditure

2021/22			2022/23	
PCC	Group		PCC	Group
£000	£000		£000	£000
337	337	Interest payable and similar charges	325	325
53	44,002	Net interest on the net defined benefit liability (asset)	77	57,819
(62)	(62)	Interest receivable and similar income	(905)	(905)
<b>328</b>	<b>44,277</b>	<b>Total</b>	<b>(503)</b>	<b>57,239</b>

### Note 34 - Other Operating Expenditure

2021/22			2022/23	
PCC	Group		PCC	Group
£000	£000		£000	£000
609	609	Levies	530	530
754	754	Gains/losses on the Disposal of Non-Current Assets	133	133
1	1	Rounding	0	0
<b>1,364</b>	<b>1,364</b>	<b>Total Other Operating Expenditure</b>	<b>663</b>	<b>663</b>

## Note 35 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2021/22		OPERATING ACTIVITIES - INTEREST	2022/23	
PCC	Group		PCC	Group
£000	£000		£000	£000
(62)	(62)	Interest received	(905)	(905)
338	338	Interest paid	326	326
<b>276</b>	<b>276</b>	<b>Total</b>	<b>(579)</b>	<b>(579)</b>

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

2021/22		OPERATING ACTIVITIES ADJUSTMENTS FOR NON-CASH	2022/23	
PCC	Group		PCC	Group
£000	£000		£000	£000
(8,506)	(8,506)	Depreciation	(8,462)	(8,462)
(682)	(682)	Impairment and downward valuations	(5,517)	(5,517)
(1,500)	(1,500)	Amortisation	(1,241)	(1,241)
(3,925)	(3,925)	(Increase)/decrease in creditors	(2,768)	(2,768)
(3,214)	(3,214)	Increase/(decrease) in debtors	6,764	6,764
(87)	(87)	Increase/(decrease) in inventories	(109)	(109)
(269)	(79,663)	Movement in pension liability	(348)	(81,827)
(1,281)	(1,281)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(820)	(820)
(166)	486	Other non-cash movements charged to the (surplus)/deficit on provision of services	694	611
<b>(19,630)</b>	<b>(98,372)</b>	<b>Total</b>	<b>(11,807)</b>	<b>(93,369)</b>

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

2021/22			2022/23	
PCC	Group		PCC	Group
£000	£000		£000	£000
<b>OPERATING ACTIVITIES</b>				
<b>ADJUSTMENTS INVESTING/FINANCING</b>				
527	527	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	687	687
888	888	Other items for which the cash effects are investing or financing cash flows	621	621
<b>1,415</b>	<b>1,415</b>	<b>Total</b>	<b>1,308</b>	<b>1,308</b>

### Note 36 - Cash Flow from Investing Activities

2021/22			2022/23	
PCC	Group		PCC	Group
£000	£000		£000	£000
<b>INVESTING ACTIVITIES</b>				
8,111	8,111	Purchase of property, plant, equipment, investment property and intangible assets	8,983	8,983
(527)	(527)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(687)	(687)
(888)	(888)	Other receipts from investing activities	(621)	(621)
<b>6,696</b>	<b>6,696</b>	<b>Total</b>	<b>7,675</b>	<b>7,675</b>

### Note 37 - Cash Flow from Financing Activities

2021/22			2022/23	
PCC	Group		PCC	Group
£000	£000		£000	£000
<b>FINANCING ACTIVITIES</b>				
0	0	Other receipts from short-term borrowing	0	0
<b>0</b>	<b>0</b>	<b>Total</b>	<b>0</b>	<b>0</b>

## Note 38 - Reconciliation of Liabilities Arising from Financing Activities

### Reconciliation of Liabilities Arising from Financing Activities

	01 April 2022	Financing cash flows	Non-cash changes		31 March 2023
			Acquisition	Other non- cash changes	
	£000	£000	£000	£000	£000
Long-term borrowings	(14,042)	0	0	0	(13,521)
<b>Total liabilities from financing activities</b>	<b>(14,042)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,521)</b>

	01 April 2021	Financing cash flows	Non-cash changes		31 March 2022
			Acquisition	Other non- cash changes	
	£000	£000	£000	£000	£000
Long-term borrowings	(14,563)	0	0	0	(14,042)
<b>Total liabilities from financing activities</b>	<b>(14,563)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(14,042)</b>

## Note 39 - 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 for the PCC and also those for the PCC Group. The term 'Group' is used to indicate individual transactions and policies of PCC and CC for the year ended 31 March. Under the Police Reform and Social Responsibility Act 2011 the powers and responsibilities attributed to the PCC as the holding organisation identifies the requirement to produce group accounts.

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

The following sections set out the Group’s principal accounting policies that have been reviewed and adopted in 2021/22.

## **Income & Expenditure Recognition**

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

Revenue is recognised when goods are delivered and title has passed. The provision of services contains many accounting aspects and revenue is only recognised when all related work has been completed or when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC and group. Whilst all income is received by the PCC and all expenditure is paid for by the PCC including wages of police staff and officers, the actual recognition in the respective Police and Crime Commissioner and Chief Constable Accounts is based on economic benefit.

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

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

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

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

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

## **Cash & Cash Equivalents**

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

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

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Police and Crime Commissioner's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **Events after the Balance Sheet Date**

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



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

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

### **Government Grants and Contributions**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Grants and contributions in excess of £20,000 are considered material.

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

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

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

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

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

At the year end the Police and Crime Commissioner reviews all material grants and considers whether any existing conditions are outstanding, and the appropriate accounting policy treatment is then applied accordingly. Capital grants and contributions in excess of £20,000 are considered material.

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

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

## Recognition

The cost of acquisition, creation or enhancement of Property, Plant and Equipment is capitalised, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Police and Crime Commissioner for a period of more than one year, and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. When a component is replaced, restored or enhanced, the carrying amount of the old component is de-recognised, and the new component reflected in the carrying amount.

The Police and Crime Commissioner has the following de-minimis limits for capitalisation whereby items above these amounts must be capitalised:

- Land and buildings                      £100,000
- ICT and other equipment              £25,000
- Vehicles                                    £Nil

## Measurement

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

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

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

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

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

- All other assets – (EUUV)

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

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

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

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

### **Component Assets**

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

### **Impairment**

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

- Significant decline in a specific asset's carrying amount during the period;

- Evidence of obsolescence or physical damage of an asset;
- Commitment by the Group to undertake a significant reorganisation
- Significant adverse change in the statutory or other regulatory environment in which the Group operates.

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

## **Depreciation**

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

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

Approximate average depreciation periods are as follows:

- |                                |             |  |
|--------------------------------|-------------|--|
| • Buildings                    | 25-60 years | (or as assessed by the valuer)                                   |
| • Plant, Furniture & Equipment | 5 years     | (or as assessed by the business)                                 |
| • Vehicles                     | 3-5 years   | (depending on vehicle type as assessed by the Transport Manager) |
| • Intangibles                  | 3 years     | (or as assessed by the business)                                 |

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

## **Disposal**

When a non-current asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Disposal proceeds are credited to the Comprehensive Income

and Expenditure Statement and netted off against the asset's carrying value. The resulting balance represents either the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Assets of £Nil Net Book Value are routinely disposed of as being end of useful life assets unless exceptional circumstances determine they should be kept on the asset register whilst still in active use.

Receipts in excess of £10,000 from the sale of non-current assets are defined as capital receipts and are used to fund future capital expenditure. These receipts are transferred to the Capital Receipts Reserve via the Movement in Reserves Statement. Individual receipts of less than £10,000 remain in the Comprehensive Income and Expenditure Statement.

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

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

### **Assets Held for Sale**

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

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

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

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

Assets Held for Sale are not depreciated.

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

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

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date, this is assessed using the IFRS13 Fair Value market approach. As a non-financial asset, investment properties are measured at highest and best use.

Properties are not depreciated but are re-valued annually according to market conditions at the year-end. The IFRS13 Fair Value market approach uses prices and other relevant information (inputs) generated by market transactions involving similar properties and applies the valuer's professional judgement in accordance with RICS valuation (professional standards published by the Royal Institution of Chartered Surveyors).

The IFRS on Fair Value includes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three input levels as follows:

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

Property market conditions in the South East of England are such that similar properties are actively purchased and sold and the level of observable inputs are significant. We have therefore categorised the valuations of the investment portfolio as Level 2 inputs in the IFRS 13 fair value hierarchy.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **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



## **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group.

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

Intangible assets are included in the Balance Sheet at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service revenue accounts in the Comprehensive Income and Expenditure Statement. Useful life of intangible assets is generally 3 years or as assessed by the business. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service revenue accounts in the Comprehensive Income and Expenditure Statement. Any gains or losses arising on the disposal or abandonment of an intangible asset are posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains or losses are not permitted to have an impact on the General Fund Balance therefore they are moved out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

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

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

## **Debts Outstanding**

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

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

## **Reserves**

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

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

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

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

## **Overheads and Support Services**

The costs of overheads and support services are charged to the Comprehensive Income and Expenditure Statement in accordance with the PCC/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 Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Precept Income**

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

### **VAT**

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

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

### **Leases**

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

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating

leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

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

### **Finance Leases**

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

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

### **Operating Leases**

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

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

### **Operating Leases**

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

## **Employee Benefits Payable During Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Police and Crime Commissioner. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the short term accumulated absences reserve so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

## **Termination Benefits / Exit Packages**

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

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

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

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

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

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

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

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

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

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

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

- The assets of the LGPS attributable to Surrey Police are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the

Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

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

### **Fair Value Measurement of non-financial assets**

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

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

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

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



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

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

## **Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the PCC borrowings held, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

### **Financial Assets**

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

- amortised cost

- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) if or when any financial instruments are held at fair value through other comprehensive income or has designated assets as such financial instruments. The PCC doesn't currently hold any FVOCI assets.

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

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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the PCC, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Soft Loans are offered at less than market rates, where an objective would justify the authority making a concession. The authority does not hold any soft loans.

### **Expected Credit Loss**

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

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

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

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

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

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

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

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

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

### **Financial Assets Measured at Fair Value through Other Comprehensive Income**

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Movements in amortised cost are recognised in the Surplus or Deficit on the Provision of Services, but movements in the fair value are recognised as Other Comprehensive Income and Expenditure.

Interest is credited to the Surplus or Deficit on the Provision of Services using the effective interest rate method. Movements in impairment loss allowances are recognised in the Surplus or Deficit on the Provision of Services, with a compensating amount to Other Comprehensive Income and Expenditure to offset the movements against gains/losses on fair value (i.e. not against the carrying amount of the asset).

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. The Police and Crime Commissioner does not currently make any soft loans.

### **Foreign currency translation**

Where transactions are entered into that are denominated in a foreign currency, the transactions is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at

the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

### **Interests in Companies and Other Entities**

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

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

The Group has no other subsidiaries, associates or joint ventures.

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

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

### Police Pension Fund Net Assets Statement

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

## Police Pension Funds - Notes

### Accounting Policies

The Police Pension Account Statements have been prepared to meet the requirements of Regulation 7(1) (d) of the Accounts and Audit Regulations 2003, which states that Chief Constables are obliged to include the police pensions account in their statement of accounts. They also meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 based on International Financial Reporting Standards IAS19. 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 below:

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

## Glossary of Accounting Terms

### **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.

### **BILLING AUTHORITY**

The local authority is responsible for administering the collection fund. These are district and borough councils in Surrey.

### **CAPITAL EXPENDITURE**

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

**CAPITAL PROGRAMME**

A statement of proposed capital and revenue investment projects for current and future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, design fees and the acquisition of vehicles and major equipment items.

**CAPITAL RECEIPTS**

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

**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](http://www.cipfa.org.uk)

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

**CREDITORS**

Individuals or organisations, to whom money is owed at the end of the financial 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](http://www.cipfa.org.uk)

**COLLECTION FUND**

A fund administered by each Billing Authority. Council tax monies are paid into the fund whilst part of the net revenue spending of the Police and Crime Commissioner, County, Unitary Authority and District Councils are met from the fund.

**CONTINGENCY PROVISION**

An amount set aside for exceptional budget requirements in the financial year.

**COUNCIL TAX**

Council tax payable locally is based upon house values. Each dwelling is valued and placed into one of eight bands, which determines the level of Council Tax payable.

**CURRENT SERVICE COST (PENSIONS)**

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

**CURTAILMENT (PENSIONS)**

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

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

**DEBTORS**

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

**DEFINED BENEFIT SCHEME (PENSIONS)**

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 (PENSIONS)**

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

**DEPRECIATION**

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

**EXPECTED RATE OF RETURN ON PENSION ASSETS**

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

**EXPENSE**

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

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset. For land and buildings, fair value is the amount that would be paid for the asset in its existing use.

**FINANCE LEASE**

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

**FIXED ASSET (NON-CURRENT ASSET)**

The value of fixed (non-current) assets for capital accounting purposes represents depreciated replacement cost or open market value for land and buildings and the depreciated historic cost of other assets.

**GENERAL FUND BALANCES**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**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

**IMPAIRMENT**

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

**INCOME**

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

**INTANGIBLE ASSETS**

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

**INTEREST COSTS (PENSIONS)**

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

**INVESTMENTS (PENSION FUND)**

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

**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.

**LEVIES**

A levy is an amount of money a local authority is compelled to collect (and include in its budget) on behalf of another organisation – for example, a government agency – and which appears as a separate item on the council tax bill.

**LIABILITY**

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

**LIQUID RESOURCES**

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

**MINIMUM REVENUE PROVISION (MRP)**

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

**NATIONAL NON DOMESTIC RATE (NNDR) – or BUSINESS RATES**

The rate in the pound charged on non-domestic properties. It is the same for all businesses in England and is set annually by Government, on whose behalf it is collected by billing authorities. The Police and Crime Commissioners then receive a share of the national pool as part of its resources used to meet Total Net Expenditure.

**NET BOOK VALUE**

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

**NET CURRENT REPLACEMENT COST**

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

**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.

**NON-CURRENT ASSETS (FIXED ASSETS)**

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

**OPERATING LEASE**

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

**PAST SERVICE COSTS (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 the Home Office to support its revenue expenditure. It is a fixed sum calculated by the Government on an assumed needs basis.

**PRECEPT**

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

**PREPAYMENT**

Any amounts that have been paid for goods and services not received by the end of an accounting period are shown as prepayments in the debtors section of the balance sheet.

**PROJECTED UNIT METHOD**

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

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

### **RESIDUAL VALUE**

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

### **REVENUE 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.

### **REVENUE SUPPORT GRANT**

Central Government grant supporting the cost of public services.

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

### **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.

### **SPECIFIC GRANTS**

Central Government grants towards specific services, usually on a fixed percentage for a particular service such as Police. These are included as income on the Income & Expenditure Account.

### **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

### **WORK IN PROGRESS/ASSETS UNDER CONSTRUCTION**

Completed and continuing work required on an incomplete project.