

CHIEF CONSTABLE FOR SURREY

STATEMENT OF ACCOUNTS

2012/2013

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EXPLANATORY FOREWORD

1 Introduction

These Accounts set out the overall financial position of the Chief Constable for Surrey Police, who is responsible for the Surrey Police Service for the year ended 31 March 2013.

2012/13 was a significant year of change for Policing in England and Wales. The Police Reform and Social Responsibility Act 2011 established Police and Crime Panels within each force, the first elections for Police and Crime Commissioners were held on the 15th November 2012 replacing Police Authorities. The new Police and Crime Commissioner (PCC) for Surrey took office on 22 November 2012, with responsibility for delivering an effective and efficient police service in Surrey, to oversee the work of Surrey Police, and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996. At the same time the Chief Constable for Surrey was established as a separate body with responsibility for the Surrey Police Service. Both the PCC and the Chief Constable have been set up as separate corporation sole entities. The primary function of the new body headed by the Chief Constable is the exercise of operational policing duties under the Police Act 1996. The PCC's function is to hold the Chief Constable to account for the exercise of these duties, thereby securing the maintenance of an efficient and effective police force in Surrey.

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

This Statement of Accounts includes all the financial transactions incurred during 2012/13 relating to the Chief Constable. The consolidated Group position including the Chief Constable and PCC have been prepared in a separate Statement of Accounts.

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

2 The Statement of Accounts

The accounting statements, including the Core Financial Statements, which follow this foreword have been prepared in accordance with the 2011 Code (Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 Based on International Financial Reporting Standards) issued by CIPFA (Chartered Institute of Public Finance & Accountancy).

The Accounts also reflect the Government's intention within The Police Reform and Social Responsibility Act 2011 to phase in the reforms over a number of years. On the 22 November 2012 the assets, liabilities and reserves belonging to the Surrey Police Authority were transferred directly to the PCC and during the first phase of transition have remained under the PCC control with the exception of the Pension Reserve that transferred to the Chief Constable. During this period the PCC receives all income and funding and makes all the payments for the Group from the PCC Fund. In turn the Chief Constable fulfils her functions under the Act within an annual budget (set by the PCC in consultation with the Chief Constable). A scheme of delegation is in operation between the two bodies determining their respective responsibilities during the first phase. The primary statements for 2012/13 reflect the position during this first phase of transition.

3 Financial Statements

The financial statement for the Chief Constable under the 2012/13 Code consists of:

- **Movement in Reserves Statement.** This statement shows the movement in the year on the different reserves held analysed into 'usable reserves' and other reserves. The Chief Constable manages the Pension Reserve and all other reserves are managed by the PCC. As the Chief Constable is unable to rely on the provisions of the Capital Finance and Accounting Regulations for 2012/13 the pension reserve is classified as a usable reserve for the first time. It is anticipated that legislation will remedy this situation from 2013/14 on a retrospective basis resulting in the pension reserve being unusable.
- **Comprehensive Income and Expenditure Statement.** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. These differences are explained in the PCC Group Accounts.
- **Balance Sheet.** This statement shows the assets, liabilities and reserves of the Chief Constable. The Chief Constable manages the Pension Reserve and corresponding liability, all other assets and liabilities are held by the PCC.
- **Cash Flow Statement.** This statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. The Chief Constable does not manage any of these transactions and accordingly this statement does not show any figures. Movements of monies are included in the Accounts of the PCC.

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

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

4 Financial Arrangements

4.1 Setting the Budget

The PCC sets the annual budget for the Group in consultation with the Chief Constable. The PCC Group gross revenue budget (or operating budget) for 2012/13, was set at £208.8m (2011/2012, £212.3m) of which £207.7m was attributed to policing under the direction of the Police Constable for the year, the remaining gross revenue budget being attributed to the cost of administering the PCC.

4.2 Final Outturn

Overall the Group expenditure for 2012/13 totalled £207.8m (2011/2012, £210.9m), resulting in a £1m underspend being transferred to General Balances. Actual expenditure attributable to policing under the direction of the Chief Constable was £206.7m (2011/2012, £210.0m).

5 Employee Pension Schemes

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

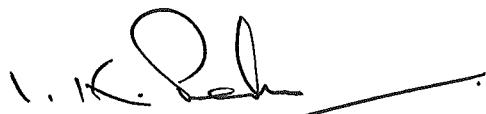
The Police Officer Pension Liability and Police Officer Pension Reserve, which are disclosed at the end of this Statement of Accounts, reflect the full implementation of International Financial Reporting Standard IAS19. The pension liability shows the underlying commitments that the Group has in the long run to pay retirement benefits. Recognition of the total liability has a substantial impact on the net worth of the Group and the Chief Constable as recorded in corresponding Balance Sheets. Statutory arrangements for funding the deficit mean that the financial position of the Group and Chief Constable remains healthy. This is because the Chief Constable makes a pension contribution of 24.2% of pensionable pay to finance the liability, with the actual pensions and commuted lump sums being met directly by the Police Pension Fund Revenue Account, which is funded by the Home Office.

6 Further Information

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

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

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



Ian Perkin, Chief Finance Officer

27 September 2013

REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE SURREY

Opinion on the financial statements

We have audited the financial statements of the Chief Constable Surrey for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

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

Other matters on which we are required to conclude

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

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

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

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

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

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

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

Certificate

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

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

Paul Grady
Director

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

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

28 September 2013

STATEMENT OF RESPONSIBILITIES

The Responsibilities of the Chief Constable

The Chief Constable is required:

- To make arrangements for the proper administration of the Force's financial affairs and to ensure that one of its officers (Chief Financial Officer) has the responsibility for the administration of those affairs;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts

I approve this audited Statement of Accounts.



Lynne Owens
Chief Constable of Surrey Police

Date: 27 September 2013

The Responsibilities of the Chief Financial Officer

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of Surrey Police at the accounting date and its income and expenditure for the year ended 31st March 2013.



Ian Perkin
Chief Financial Officer
for Surrey Police

Date: 27 September 2013

ANNUAL GOVERNANCE STATEMENT 2012/13

The Chief Constable is required by the Accounts and Audit (England) Regulations 2011 to produce an annual governance statement which must accompany the statement of accounts. This requirement is reflected in The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (Chartered Institute of Public Finance & Accountancy, CIPFA).

This Statement sets out the position as at 1/4/13, including plans for the financial year 2013/14

1. Scope of Responsibility

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

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

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

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

Under the Police Reform and Social Responsibility Act 2011 the Chief Financial Officer (CFO) has a personal fiduciary duty by virtue of their appointment as the person responsible for the proper financial administration of the Force. He is a key member of the Force's Management Board, helping it to implement the Commissioner's strategy and to resource and deliver the strategic objectives sustainably and in the public interest. The CFO is actively involved in, and able to bring influence to bear on, all strategic business decisions of the Chief Constable to ensure immediate and longer term implications, opportunities and risks are fully considered. The CFO leads the promotion and delivery by the Chief Constable of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. He ensures the finance function is resourced to be fit for purpose and oversees that appropriate management accounting systems, functions and internal controls are in place so that finances are kept under review.

Under s.35 of the 2011 Act in exercising her functions the Chief Constable must ensure that good value for money is obtained and this includes ensuring that persons under her direction and control obtain good value for money in exercising their functions. Surrey Police (as a standalone entity) is legally required to produce an Annual Governance Statement. The Statement helps the PCC to hold the Chief Constable to account for efficient and effective policing. The Statement sits alongside the statutory accounts for Surrey Police and gives assurance to the PCC of Surrey Police's governance arrangements.

Role of the Police Authority until November 2012

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

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place within Surrey Police for the year ended 31st March 2013 and up to the date of approval of the Annual Statement of Accounts 2012/13.

3. The Governance Framework

The key elements of the Governance Framework include:

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

At Surrey Police we have considered a wide range of national and local agendas to ensure that it meets the needs of local residents. We have also been committed to supporting delivery in partnership with Community Safety Partnerships (CSPs), Surrey County Council, local councils, the Surrey Criminal Justice Board, and voluntary and advisory organisations.

Although the Force remains cognisant of the national agenda, it places importance on local risk assessments made as part of the County Strategic Assessment. These assessments include those made by each CSP in the county and priorities identified in the Joint Neighbourhood Survey run jointly by Surrey Police and Surrey County Council.

The PCC has developed his Police and Crime Plan based around the priorities he identified in his election campaign and feedback from public events he has held since being elected. He and his office have been consulting with the Force around the inclusion of targets and how the Force can deliver the priorities in the plan, along with suitable measures where appropriate. A series of meetings have taken place between senior officers, the PCC, and his team, as part of this process; the Police and Crime Plan is now in place, without specific targets but activity which the force is held to account over, around different priorities. These priorities of the Police and Crime Plan have been embedded in internal performance regimes, for example forming the agenda of the monthly Surrey Performance Evaluation and Computerised Statistics (SPECS) performance meeting.

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

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

The Chief Officer Group at Surrey Police hold bi-weekly meetings to consider priorities and strategic issues. On-going change programmes and collaboration initiatives with partners are reviewed at the Strategic Change Board. This Board has representation from all functional areas as well as the Office of the PCC.

At the beginning of 2012/13 the Force and Surrey Police Authority, together with West Midlands Police and Police Authority, were exploring whether savings and service improvements might be achieved by working with a private sector partner. However in July, Surrey Police Authority decided to pause the Force's involvement in the programme, and in September, to terminate involvement in the procurement process. However, the work undertaken on the programme during that time enabled the Force to identify a number of potential opportunities to deliver the significant savings that will be required from 2015/16.

As well as delivering against the 6 priorities set by our PCC, and our Surrey Public First Strategy, the options that we will explore throughout 2013/14 are outlined below:

1. To continue to review our structures and operating practices internally, identifying ways to ensure that our resources are being used as effectively as possible in order to deliver increased performance and reduced costs. A number of pieces of work have been underway in the past few months to look at this, which continue into 2013/14, including:

- Reviews of the organisational structure and composition of our reactive and proactive investigative teams, neighbourhood policing teams and custody function.
- Work to ensure that force resource profiles in the operational strands of Response, Neighbourhood and Investigation best match 24/7 operational demands, threats and opportunities.
- A review of the performance management regime and how it is being used to drive activity and decision making on the frontline, ensuring alignment with Surrey Public First Strategy and PCC's priorities.
- A review of how we engage with the Surrey public across all parts of the organisation.
- The development of a Professionalism Action Plan by the Chief Office Group.

We do recognise however that working in partnership with other organisations may bring opportunities of scale, so we are also undertaking the following work:

2. Collaborating further with other police forces – by pooling our resources with Sussex and other forces in the south-east region, we can increase our ability to respond flexibly to demands and work together more effectively. Agreement has been reached within the South East region to implement a single regional organised crime structure incorporating regional Counter Terrorism and Serious and Organised Crime assets, which should be fully in place by the end of 2013/14.

We developed a preferred partnership with Sussex Police and during 2012/13 established joint collaborative units for Major Crime Investigation, Forensic Investigations and Firearms; building on this success, further work is underway to develop collaborative opportunities in a number of operational business areas including Dogs, Surveillance, High-tech Crime, and also

our Force Contact and Control Room functions. Within Support Services, a Joint Procurement Service was established during 2012/13 and we are currently working towards a Joint Transport Service. In parallel to this, further work is underway to look at opportunities with our Support Services functions, such as HR, Finance and ICT, to look at how we can align our systems, policies and processes and potentially also combine operating structures.

3. Working more closely with other public services such as local authorities, the fire service or the ambulance service would allow for better sharing of information and joined up working whilst also bringing economies of scale, and we will explore what opportunities such working might present during 2013/14.

Ensuring that these on-going change programmes and collaboration initiatives with partners are prioritised appropriately is determined through the Strategic Change Board, which has representation from all functional areas of the Force as well as the Office of the PCC. Regular updates on change programmes and collaborative activity are provided at the monthly PCC Management Meetings. Work is also underway to better align our change governance structures with those of Sussex Police to support our collaborative activity, including developing a joint oversight for our respective PCCs.

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

The Force engages in a robust operational performance regime. There are a number of forums where performance is reviewed and challenged. These are chaired by the DCC. There is a fortnightly tactical meeting where Portfolio leads (at Superintendent level) are held to account for their areas of the business. These Portfolio leads work closely with the Force Analysis Unit throughout the year to develop products which allow them to assess whether they are delivering what they had set out to.

There are also two regular monthly processes: The Detections and Reduction Board and SPECS where key Performance information is presented and reviewed. Evaluation of financial performance is also a standing agenda item at the monthly SPECS meeting, where budgetary performance can be rigorously challenged. A representative from the PCCs office also attends the SPECS meeting. Performance updates on strategic objectives are communicated directly to all staff and officers via quarterly performance bulletins.

Throughout 2012/13, the Force continued to operate the Oracle Financials system, and commenced a project to upgrade both the Finance and HR Oracle modules, with a goal to integrate both systems to further strengthen and improve the efficiency of its internal financial control environment.

The Joint Procurement Board (JPB) was established in September 2013 to replace the Scrutiny Panel. This panel consists of Senior Officers and Staff and representation from the Office of the PCC for both Surrey and Sussex. Chaired by the Deputy Chief Constable for Surrey, the Panel's primary role is to review requirements for new and existing contracts and areas of high value expenditure to ensure that these continue to give value for money and are completed in compliance with EU Procurement legislation requirements. The Panel has also encouraged innovation and the consideration of alternative options and approaches to the business of both forces in order to promote expenditure savings and value for money.'

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

The risk management strategy has been developed and implemented to collate all internal and external organisational risk intelligence, to evaluate risk using a standard corporate methodology and to develop appropriate control strategies along with on-going monitoring of progress and impact. The Chief Officer Group (COG) is responsible for owning and managing Force risks that are considered 'high risk' and require their management and also undertake joint responsibility with the PCC on shared risks. The Gold Oversight Group (GOG) reviews all organisational risks and ensures control measures are effective and that risks are managed

appropriately. Risks are also reviewed on a monthly basis by Portfolio Co-ordination Meetings (PCMs) and Strand and Department Senior Management Team (SMT) meetings. PCMs are attended by senior staff members who feed in risks from their own units and divisions. Detailed information on risks, their impact, relevant control strategies and action plans are maintained on the Force Risk Management Database. The PCMs allow Senior Officers and Heads of Departments to perform the following functions at divisional and departmental level across the Force;

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

Risk management is now a standard agenda item for management, business change and project meetings ensuring management responsibilities are directed at managing risk appropriately. The Service Quality Manager acts as professional risk advisor to COG, GOG, senior leaders and departmental heads.

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

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

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

The Force also has in place arrangements for the reporting of all financial irregularities. Utilising existing arrangements for confidential reporting of unacceptable behaviour, it also incorporates procedures to ensure all reports are conveyed to senior Force managers and to the Section 151 Officer, in line with Financial Regulations.

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

The Service Quality Department is responsible for carrying out reviews of specific business areas, as directed by COG. The team reviews best practice or areas for improvement, with the aim of improving organisational performance and developing more effective guidance. These reviews can cover specific issues based on policy or procedures, in-depth inspections in a particular part of the Force or any other area that requires attention. Reviews during this financial year have included Management of Crime – post implementation, Central Referral

Unit, Professional Standards, Vehicle Recovery, Corporate Credit Cards, Systems Access, Integrated Offender Management.

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

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

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

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

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

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

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

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

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

To ensure compliance with the relevant laws, regulations and policies, portfolio heads are required to ensure that all relevant control systems within their area of responsibility are operating effectively. In 2012/13 a Management Assurance Statement was signed by each one, confirming that controls had been operating throughout the year. The statement also allowed any failings to be identified and addressed. No significant issues were identified for 2012/13

. The areas of responsibility that the statements cover are:

- Alignment of services with corporate objectives
- Business risk management
- Effectiveness of key controls
- Effective use of resources
- Legality, probity and compliance

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

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

The Procurement team maintains a contract register for all agreements that it awards to ensure they are managed throughout their contract term.

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

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

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

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

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

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

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

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

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

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

Surrey Police has in place policies and procedures for the appropriate training and development of all employees which are supported by the Human Resources Strategy 2010-2013

The Force Learning and Development department is based at headquarters with staff located at Reigate, Guildford, Staines and Burpham and is responsible for the initial probationary training of all police officers. It also provides thematic training in investigations, information technology, driving skills and people development for officers and staff. The School includes specialised teams who follow agreed processes to prioritise training in conjunction with strategic business need and forecast capability gaps so that the training provided directly links to the values and priorities of the organisation.

In the past year, the training focus has been on giving quality products and support that are effective and cost aware, giving maximum value for money. All staff within Learning and Development have been given guidance on achieving the best and most effective results, meeting best practice guidelines and compliance with national, regional and local policing indicators whilst saving costs. Products have been reviewed for quality and content to ensure that they are relevant, timely and meet organisational need. Improvements in regional and multi-agency working have led to several collaborative projects producing a greater understanding of best practice and a reduction in cost.

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

Comprehensive guidance and policy on all aspects of training and personal development as well as up to date listings of all training courses is available to all employees via the online People Solutions Knowledge base.

The structure and scope of the Department is currently subject to a transformation programme to support our efficiency drive and to enable staff to provide the most effective support for the business and aims to deliver updated technology, a rationalised range of products in line with the new College of Policing mandated curriculum and development of a workplace coaching culture to drive performance.

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

As part of Neighbourhood Policing and Surrey Public First, an initiative developed to deliver a more proportionate, common sense style of policing that is focussed on serving the people of Surrey, and the Force has developed and continues to maintain close links with all local communities.

Surrey Police continues to place a strong emphasis on its operational policing and developing safe and confident neighbourhoods in Surrey, and the Force recognises the critical importance of effective community engagement in this.

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

Surrey Police uses a range of communications methods and channels to inform the public, partners and stakeholders of plans, strategies and activity.

- A number of planned communications campaigns are delivered throughout the year to support key operational policing priorities. These campaigns make good use of a wide range of traditional and social media channels.
- The corporate website has been redeveloped to provide a smarter, more user friendly and accessible 'front door' to Surrey Police's services with ready access to our Neighbourhood teams as well as information on what the force is doing to meet priorities identified by our community.
- The Force has an integrated social media strategy allowing us 24 hour engagement with stakeholders and our communities.
- The Force also maintains a media relations team which plans, manages and delivers proactive and reactive media activity Force-wide, to maintain and contribute to public confidence in policing.

The last 12 months have been challenging for a number of forces nationally, and Surrey has not escaped this. To ensure that the public are always kept up to date and involved in any changes, developments or events that touch not only our county boundaries but the heart of our communities our communications plans are developed to keep Surrey's public aware. These have included:

- The on-going sale of police stations
- Our role in delivering a safe and secure Olympics and Paralympics for the events and Torch relay that came through Surrey
- Our continuing work to identify ways to deliver policing in a cost effective way whilst maintaining a quality service to the public – including looking at further collaborative opportunities with our neighbouring forces.

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

Throughout 2012/13 Surrey Police has progressed its ambitions around co-location with other statutory partners and have continued to reap the benefits of faster information flow and skills sharing. The partnerships have benefited from a county-wide programme of problem solving and information sharing training which has been joint funded and permits key partners to communicate on these important issues in a 'common language'. Funding has been secured to supplement these advances with a secure cloud-based information exchange portal ('safetynet') which has been supported by key strategic partners across Surrey.

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

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

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

4. Review of Effectiveness

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

4.1 Performance Management

As described in 3.3 above, operational and financial performance is reviewed monthly at SPECS meetings which are attended by senior leaders within the Force and a PCC representative.

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

4.2 Risk Management

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

4.3 Professional Standards

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

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

PSD periodically carries out strategic assessments of its intelligence capacity, in line with the National Intelligence Model.

4.4 Internal Audit

Following last year's decision for Surrey Police to become a member of the Surrey Internal Audit Consortium, RSM Tenon was appointed to act as Internal Auditors for five years, beginning with the 2012/13 financial year. The firm operates in accordance with the International Internal Auditing Standards Board of the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing, 2006* and the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*. The Internal Auditors worked in line with an annual internal audit plan for 2012/13, which was approved by the Audit Committee at their quarterly meeting of 19th March 2012.

From November 2012, RSM Tenon became the internal auditors for both the Force and the for the Office of the PCC and their reports will now be reviewed at the Joint Audit Committee, which also came into existence in late November as mandated by the Police Reform and Social Responsibility Act 2011.

The CIPFA code requires Internal Audit to provide an opinion on the overall adequacy and effectiveness of the governance framework. That opinion is provided below and is based on the work undertaken by the Internal Auditors in 2012/13 completed in line with the Audit Plan referred to above.

Internal Audit opinion

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

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

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

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

4.5 Other explicit review/inspection mechanisms

Her Majesty's Inspectorate of Constabulary (HMIC) has carried out the following inspections in relation to Surrey Police during 2012/2013.

- **"A Step in the Right Direction: The Policing of Anti-Social Behaviour"**

Surrey Police contributed to this thematic report examining the quality of anti-social behaviour (ASB) recording, systems and processes. This was a follow up to a review in 2010 and the main elements of it were repeated so that progress could be tracked. The results of the inspection found that Surrey Police has made progress since 2010 in the way ASB is understood and tackled. There is also a clear focus on the needs of victims, from the moment they first contact the police, with Surrey being among the top three in the country for satisfaction in the way we deal with ASB in local areas. However there is further work to be done around the identification and support of vulnerable and repeat victims.

- **"Revisiting Police Relationships" – review of Police Service Integrity**

In the wake of the phone-hacking scandal in 2011, the Home Secretary commissioned HMIC to examine the relationship between the Police Service, the media and other parties and to make recommendations about what needs to be done. In 2012, HMIC revisited all forces to track their progress against the recommendations in the 2011 report. The revisit found that Surrey Police has made progress in how it identifies, monitors and manages integrity issues since 2011 including a review and update of the guidance about how staff and officers should behave on social media sites. It needs to continue to monitor and develop how it responds to issues of integrity, such as cross checking information to secure the integrity of the procurement process. As a result of the findings in the national thematic report it is likely that there will be further unannounced integrity inspections in the future.

- **"Policing in Austerity" – Valuing the Police Preparedness Inspection**

The Force's plans to meet the current financial challenge and the impact, if any, on the service provided to the public were re-assessed. The report was very positive concluding Surrey is in a good position to achieve its savings target by March 2015. Surrey was also praised for being the only Force in the country to be increasing the overall number of police officers; by 2015,

80% of its workforce will be on the frontline. The report also noted the work the new Chief Constable is doing to prioritise detecting and resolving crime and that some crime types have shown improved detection rates over recent months. The force is working to improve this further.

- **“Preparing for Police and Crime Commissioners”**

HMIC made two visits to check on Force and Police Authority plans and preparedness for the PCC election and subsequent transition in November 2012. The first visit in June 2012 focused on whether the Authority was making prudent preparations for the transition to PCC and whether transition planning was having a detrimental effect on normal and ongoing Authority work, whilst the second visit in September focused on the budget development process for 2013/14, the funds identified for transition and the development of potential models of governance, decision making and accountability. HMIC concluded that the Authority and Force were developing options that would enable the incoming PCC to operate effectively from day one and that the budget development process was based on prudent assumptions that took account of a range of funding scenarios. Surrey had also developed proposals for PCC governance arrangements, decision making and accountability so that, once in post, the PCC would have options to consider which would help them in delivering their statutory functions.

Surrey Police has also been part of thematic inspections on the use of Stop and Search powers and the level of engagement with the National Ballistics Intelligence Service (NABIS), both of which are due to be published later this year.

5. Significant Governance Issues

There is a national drive for Police Forces and other public sector organisations to develop new ways of delivering services and collaboration is seen as a key enabler to meet this. Surrey Police is working with Sussex Police as their preferred partner. The governance arrangements to support an expanded ambition for further collaboration between the two forces requires further consideration and is being progressed by both PCCs and Forces Chief Officers.

The Force has experienced difficulties with two sizeable projects and reviews carried out have highlighted weaknesses in the project management. The Force is taking account of the recommendations and lessons learned and responding to these to ensure all future projects have robust project management in place.

The Force and the previous Police Authority made good progress for the transition to the new arrangements with the introduction of Police and Crime Commissioner as per the Police Reform and Social Responsibility Act 2011. As reflected in the internal audit opinion the new governance arrangements since the cessation of the previous Police Authority will require a period of bedding in to ensure all involved are clear on the roles and responsibilities in respect of decision making of the PCC and Chief Constable.

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

In March 2012, an internal audit report made two ‘fundamental’ recommendations in respect of Surrey Police’s disaster recovery procedures. Progress against these recommendation has been monitored at the Police Authority’s Audit Committee and new Joint Audit Committee and Surrey Police has provided assurance that procedures have been updated, with the outcomes of a piece of work to assess effectiveness pending.

In December 2012 an audit of key finance processes raised one ‘high’ recommendation in relation to ensuring that purchase requisitions and orders are produced and authorised prior to

purchase. Surrey Police has completed this action, with guidance provided to particular groups where necessary.



Lynne Owens

Chief Constable

27 September 2013



Ian Perkin

Chief Financial Officer

27 September 2013

2012/2013 FINANCIAL STATEMENTS

Movement in Reserves Statement of the Chief Constable for Surrey

	General Reserve £m	Pension Reserve £m	Capital Grants Unapplied £m	Capital Receipts Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance at 1 April 2011	0.0	(1,113.1)	0.0	0.0	(1,113.1)	0.0	(1,113.1)
Surplus or (deficit) on provision of services	(62.0)	0.0	0.0	0.0	(62.0)	0.0	(62.0)
Other Comprehensive Expenditure and Income		(55.7)	0.0	0.0	(55.7)	0.0	(55.7)
Total Comprehensive Expenditure and Income	(62.0)	(55.7)	0.0	0.0	(117.7)	0.0	(117.7)
Adjustments between accounting basis & funding basis under regulations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	(62.0)	(55.7)	0.0	0.0	(117.7)	0.0	(117.7)
Transfers to / from Earmarked Reserves	62.0	(62.0)	0.0	0.0	0.0	0.0	0.0
Increase / Decrease in Year	0.0	(117.7)	0.0	0.0	(117.7)	0.0	(117.7)
Balance at 31 March 2012	0.0	(1,230.8)	0.0	0.0	(1,230.8)	0.0	(1,230.8)
Surplus or (deficit) on provision of services	(59.1)	0.0	0.0	0.0	(59.1)	0.0	(59.1)
Other Comprehensive Expenditure and Income		(183.0)	0.0	0.0	(183.0)	0.0	(183.0)
Total Comprehensive Expenditure and Income	(59.1)	(183.0)	0.0	0.0	(242.1)	0.0	(242.1)
Adjustments between accounting basis & funding basis under regulations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	(59.1)	(183.0)	0.0	0.0	(242.1)	0.0	(242.1)
Transfers to / from Reserves	59.1	(59.1)	0.0	0.0	0.0	0.0	0.0
Increase / Decrease in Year	0.0	(242.1)	0.0	0.0	(242.1)	0.0	(242.1)
Balance at 31 March 2013	0.0	(1,472.9)	0.0	0.0	(1,472.9)	0.0	(1,472.9)

Comprehensive Income & Expenditure Statement of the Chief Constable for Surrey

	March 2012	March 2013
	£m	£m
Financial resources of the PCC consumed at the request of the CC		
Local Policing	78.4	82.0
Dealing with the Public	23.2	20.9
Criminal Justice Arrangements	18.1	17.1
Roads Policing	10.8	10.5
Specialist Operations	14.4	12.5
Intelligence	22.6	22.7
Specialist Investigations	58.2	59.5
Investigative Support	7.9	7.4
National Policing	5.7	4.5
Non Distributed Costs	1.0	0.6
Corporate and Democratic Core	0.4	0.6
Levies	0.5	0.4
Financial resources consumed	241.2	238.7
Intra-group adjustment	(241.2)	(238.7)
Net Cost of Policing Services	0.0	0.0
Financing and Investment Income and Expenditure		
Pension Interest Cost and Expected Return on Assets	61.7	59.1
(Surplus) or Deficit on Provision of Services	61.7	59.1
Actuarial gains/losses on pension assets/liabilities	55.7	183.0
	55.7	183.0
Total Comprehensive Income and Expenditure	117.4	242.1

Balance Sheet of the Chief Constable for Surrey

March 2012 £m		Notes	March 2013 £m
0.0	Long Term Assets		0.0
0.0	Total Long Term Assets		0.0
0.0	Current Assets		0.0
0.0	Total Current Assets		0.0
0.0	Current Liabilities		0.0
0.0	Total Current Liabilities		0.0
(1,230.8)	Long Term Liabilities		(1,472.9)
(1,230.8)	Total Long Term Liabilities		(1,472.9)
(1,230.8)	Net Assets		(1,472.9)
	Financed by:		
(1,230.8)	Usable Reserves	12	(1,472.9)
0.0	Unusable Reserves		0.0
(1,230.8)			(1,472.9)

Cash Flow Statement 2012/2013

	Notes	31 March 2012 £m	31 March 2013 £m
Net (surplus) or deficit on the provision of services		0.0	0.0
Adjustments to net (surplus) or deficit on the provision of services for Non Cash Movements		0.0	0.0
Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities		0.0	0.0
Net cash flows from operating activities		0.0	0.0
Investing activities		0.0	0.0
Financing activities		0.0	0.0
Net (increase) or decrease in cash and cash equivalents		0.0	0.0
Cash and cash equivalents at the beginning of the period		0.0	0.0
Cash and cash equivalents at the end of the period		0.0	0.0

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

Notes to the Accounts

1. Accounting Policies

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

The accounting policies also reflect the powers and responsibilities of the Chief Constable of Surrey as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. The accounts cover the 12 months to 31 March 2013.

Currently the Chief Constable is unable to rely on the Capital Finance and Accounting Regulations, as this entity is not currently a local authority, however legislation is currently being drafted that will allow this in future years.

Fundamental Accounting Policies

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

- Accruals – the accruals basis of accounting establishes that the non-cash effects of transactions are reflected in the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- Going Concern – the Accounts have been prepared on the assumption that the Chief Constable will operate for the foreseeable future. This means in particular that the Comprehensive Income & Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operation.
- Understandability – to ensure that the Statement of Accounts produced can be understood by its readers.
- Relevance – to ensure that the information provided about the Force's financial position, performance and cash flow is useful for assessing stewardship of public funds and for making economic decisions.
- Materiality – provides a threshold or cut-off point to ensure that the information included in the Financial Statements is of such significance as to justify its inclusion. Omissions or misstatements of items are material if they could, individually or collectively, influence users decisions or assessment of the Financial Statements.
- Reliability – to ensure that the financial information provided accurately reflects the substance of the transactions and other events that have taken place.
- Comparability – the information contained in the Financial Statements has been prepared so that it can be readily compared with similar information about the same entity for different accounting periods and with similar information about other entities.

- **Primacy of Legislative Requirements** – Chief Constables derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. Where specific legislative requirements and accounting principles conflict, the legislative requirement is applied. However, the Code deals with such conflicts by showing the position required by the Code's accounting requirements in the Comprehensive Income and Expenditure Statement, and the effect of the legislative requirements in the Movement in Reserves Statement. These accounting entries are included in the Group Accounts. The Chief Constable does not currently have this legislative override however this is being addressed by the Home Office.

The following sections set out the Chief Constable's general accounting policies, which have been followed in 2012/2013.

Income and Expenditure

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

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

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

Overheads and Support Services

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

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

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

Employee Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as salaries, paid annual leave and paid sick leave. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. This reversal and corresponding reserve are included in the PCC and Group Accounts.

Termination Benefits / Exit Packages

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

accept voluntary redundancy, and are charged on an accruals basis to the appropriate service in the Comprehensive Income & Expenditure Statement when the Chief Constable is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Long-term employee benefits

Surrey Police pension schemes are accounted for under IAS 19 where any obligation arising from other long-term employee benefits that depend on length of service, need to be recognised when service is rendered.

The PCC holds the contract of Employment for Police Staff, however the Chief Constable controls terms of employment and makes decision on the overall staffing structures. Therefore the full cost of both police officers and staff pensions are included in the Chief Constables Accounts.

The result of this is that the Chief Constable Balance Sheet is showing a net liability, however the Police and Crime Commissioner has a legal requirement to provide funding to the Chief Constable, and indeed has already set a budget for 2013/14. The Chief Constable will therefore be in a position to meet expenditure for 2013/14, and to settle any liabilities that fall due in the foreseeable future. This net liability is transferred to the Group Accounts on consolidation.

Pension Arrangements

Surrey Police pension schemes are accounted for under the International Financial Reporting Standard IAS 19 Employee benefits. There are two different pension schemes that provide members with defined benefits related to pay and service. The costs of providing pensions for employees are charged to the accounts in accordance with the statutory requirements governing each scheme. The schemes are as follows:

- Police Officers:
This scheme is un-funded contributory occupational pension scheme governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The current economic cost outflow of police officer pensions (including injury benefits) is recognised in the Comprehensive Income and Expenditure Statement to reflect the operating costs of the scheme.
- Local Government Pension Scheme (LGPS):
Police staff employees, subject to certain qualifying criteria, are eligible to join the LGPS. The pension costs that are charged to the Chief Constable's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees and the net current service cost.

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

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Chief Constable becomes demonstrably committed to the transaction and recognised in Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which

all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

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

VAT

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

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

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

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

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

Exceptional Items

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

Carbon Reduction Commitment

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

2. Critical Judgements in Applying Accounting Policies

The preparation of the financial statements requires the Chief Constable 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 values of expenditure amounts that are not readily apparent from other sources. The estimates and assumptions are reviewed on an on-going basis. The judgements made by the PCC can be seen in the PCC Group accounts.

3. Events After The Balance Sheet Date

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

The Chief Constable has no post balance sheet events to report for the period up to 30 September 2013, however there is one event reported in the Group Accounts relating to the decision to terminate a significant technology project (Siren, formerly known as Enterprise) as it was considered the system no longer represented the best long term option for the Force or the public and greater benefit could be achieved by exploring collaborative opportunities with other forces.

4. Prior Year Adjustments

The Chief Constable has no prior year adjustments to report for the year ended 31st March 2013.

5. Exceptional Items

The Chief Constable has no exceptional items to report for the year ended 31st March 2013.

6. Amounts Reported For Resource Allocation Decisions

Segmental Reporting 2011/12

	Response	Neighbourhoods	Investigation	Tasking & Co-ordination	Joint Command	Support Services	Corporate	Other	Total for CC	PCC	Group Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	(1.5)	(0.6)	(2.1)	(2.9)	(0.5)	(6.1)	(3.1)	(0.1)	£m (16.9)	0.0	(16.9)
Government grants	(0.6)	0.0	(0.3)	0.0	0.0	0.0	(18.3)	0.0	(19.2)	0.0	(19.2)
Total Income	(2.1)	(0.6)	(2.4)	(2.9)	(0.5)	(6.1)	(21.4)	(0.1)	(36.1)	0.0	(36.1)
Employee expenses	47.0	26.0	50.1	18.1	6.3	25.5	22.0	6.9	201.9	0.0	201.9
Other operating expenses	4.6	1.7	6.2	3.0	2.5	20.2	3.3	2.7	44.2	0.9	45.1
Total operating expenses	51.6	27.7	56.3	21.1	8.8	45.7	25.3	9.6	246.1	0.9	247.0
Net Cost of Services	49.5	27.1	53.9	18.2	8.3	39.6	3.9	9.5	210.0	0.9	210.9

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

£m

Cost of Services in Service Analysis

210.0

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

(3.6)

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

Remove amounts reported to management not included in Comprehensive Income and

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

10.7

Net Cost of Services in Comprehensive Income and Expenditure Statement

217.1

Reconciliation to Subjective Analysis

	Service Analysis	Services not in Analysis	Not Included in Management Accounts	Not included in I&E	Allocation of Recharges	Net Cost of Services	Amount Attributable to PCC	Pensions	Intra-group funding	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	(16.9)	0.0	3.3	0.0	0.0	(13.6)	19.1	0.0		5.5
Surplus or deficit on associates and joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Gain on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Interest and investment income	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.0		0.2
Income from council tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Government grants and contributions	(19.2)	0.0	(6.9)	11.5	0.0	(14.6)	0.0	0.0		(14.6)
Intra-group funding									(241.2)	(241.2)
Total Income	(36.1)	0.0	(3.6)	11.7	0.0	(28.0)	19.1	0.0	(241.2)	(250.1)
Employee expenses	201.9	0.0	0.0	0.0	0.0	201.9	0.0	61.7	0.0	263.6
Other service expenses	44.2	0.0	0.0	0.0	0.0	44.2	0.0	0.0	0.0	44.2
Support Service recharges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation, amortisation and impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Payments	0.0	0.0	(0.5)	0.0	0.0	(0.5)	0.0	0.0	0.0	(0.5)
Precepts & Levies	0.0	0.0	(0.5)	0.0	0.0	(0.5)	5.0	0.0	0.0	4.5
Payments to Housing Capital Receipts Pool	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	246.1	0.0	(1.0)	0.0	0.0	245.1	5.0	61.7	0.0	311.8
Surplus or deficit on the provision of services	210.0	0.0	(4.6)	11.7	0.0	217.1	24.1	61.7	(241.2)	61.7

Segmental Reporting 2012/13

	Response	Neighbourhoods	Investigation	Tasking & Co-ordination	Joint Command	Support Services	Corporate	Other	Total for CC	PCC	Group Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	(1.2)	(0.4)	(1.5)	(1.0)	(2.3)	(2.7)	(2.9)	0.0	(12.0)	0.0	(12.0)
Government grants	(1.6)	(0.1)	(0.4)	(0.1)	0.0	0.0	(1.3)	(0.3)	(3.8)	(0.1)	(3.9)
Total Income	(2.8)	(0.5)	(1.9)	(1.1)	(2.3)	(2.7)	(4.2)	(0.3)	(15.8)	(0.1)	(15.9)
Employee expenses	46.4	27.0	51.5	18.1	10.8	22.3	0.9	6.8	183.8	0.5	184.3
Other operating expenses	4.4	1.9	4.4	2.0	4.4	17.7	2.5	1.4	38.7	0.7	39.4
Total operating expenses	50.8	28.9	55.9	20.1	15.2	40.0	3.4	8.2	222.5	1.2	223.7
Net Cost of Services	48.0	28.4	54.0	19.0	12.9	37.3	(0.8)	7.9	206.7	1.1	207.8

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

Cost of Services in Service Analysis	206.7
Add net expenditure of services & support services not included in main analysis	7.7
Add amounts in the CI & E Statement not included in management accounts e.g. IAS19 pension costs	0.2
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement e.g. pension contributions payable to the pension fund, capital financing charges	4.0

Net Cost of Services in Comprehensive Income and Expenditure Statement

218.6

Reconciliation to Subjective Analysis

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

Subjective Expenditure Analysis

	2011/2012 £m	2012/2013 £m
Financial Resources of the PCC consumed at the request of the CC		
Police Pay, NI and Allowances	83.3	85.1
Police Staff Pay, NI, Superannuation & Allowances	76.7	73.7
Other Employee Expenditure	5.8	5.5
Total Employee Expenditure	165.8	164.3
Net Cost Police Pensions Scheme	21.5	30.0
Premises	9.1	8.6
Supplies and Services	25.3	23.7
Transport	4.9	5.0
Depreciation	6.0	6.7
Levies	0.5	0.4
Total financial resources of the PCC consumed at the request of the CC	233.1	238.7
Intra-group adjustment	(233.1)	(238.7)
Net cost of Policing Services	0.0	0.0
Financing and Investment Income and Expenditure		
Pension Interest Cost and Expected Return on Assets	61.7	59.1
(Surplus) or Deficit on Provision of Services	61.7	59.1

7. Members' Allowances

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

Members' Allowances for the Joint Audit Committee are:

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

8. Officers' Remuneration

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

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

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

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

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

Position	Position Start Date	Position End Date	2011/12				2012/13			
			Total Remuneration	£	Salary, Fees & Allowances	Employers Pension Contribution	Any other Emoluments	Total Remuneration	£	
Chief Constable - Mark Rowley	12/03/2009	04/12/2011	128,907		-	-	-	-		-
Chief Constable - Lynne Owens	01/02/2012	n/a	30,325		147,788	32,934	814	181,536		
Deputy Chief Constable - C Denholm	15/06/2009	n/a	164,228		123,584	27,171	1,604	152,359		
Assistant Chief Constable (Special Operations)	22/09/2004	n/a	147,280		115,479	25,615	4,212	145,306		
Assistant Chief Constable	11/03/2012	n/a	108,685		100,963	22,730	4,046	127,739		
Chief Superintendent	01/04/2010	n/a	105,696		81,656	19,030	2,221	102,907		
Chief Superintendent	01/04/2010	n/a	109,997		82,784	19,241	4,065	106,090		
Chief Superintendent	01/04/2010	n/a	107,728		78,696	19,030	3,334	101,060		
Chief Superintendent	01/04/2010	n/a	110,276		85,745	19,030	5,130	109,905		
Chief Superintendent	01/04/2010	07/01/2013	108,064		81,473	18,687	4,483	104,643		
Chief Superintendent	07/01/2013	n/a	-		17,976	4,210	938	23,124		
Chief Superintendent	07/01/2013	n/a	-		17,866	4,210	847	22,923		
Assistant Chief Officer (Support Services)	25/01/2010	n/a	112,067		107,688	11,916	55	119,659		
Head of Corporate Communications	04/10/2011	07/10/2012	-		28,760	3,125	-	31,885		
Head of Human Resources	01/08/2009	n/a	77,753		83,033	-	-	83,033		
Head of Finance & Services	01/09/2010	n/a	83,031		80,791	9,032	-	89,823		
Head of ICT	24/10/2011	n/a	35,342		78,529	8,785	-	87,314		
			1,429,379		1,312,812	244,746	31,749	1,589,307		

9. Number of exit packages agreed

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

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

10. External Audit Costs

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

11. Related Parties

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

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

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

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

The PCC has direct control over the Group finances and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the

budget set by the PCC, to deliver the aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

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

12. Defined Benefit Pension Schemes

Pension Arrangements

As part of the terms and conditions of employment of her officers and other employees, the Chief Constable offers retirement benefits.

The Group participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for police staff employees, administered locally by Surrey County Council – this is a funded defined benefit final salary scheme, meaning that the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme, the funding arrangements of which are contained in the Police Pension Fund Regulations 2007 (SI 2007/1932). The PCC 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 PCC to the pension fund. Subject to Parliamentary scrutiny and approval, up to 100% of this amount is then recouped by the PCC 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 PCC, 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 2013 have been produced by actuaries. The following transactions reflect the total charges in the Chief Constables Comprehensive Income and Expenditure Statement.

12.1 Transactions relating to Retirement Benefits

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

12.2 Assets and liabilities in relation to retirement benefits

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

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2011/12 £m	2012/13 £m
1st April balance b/fwd	119.9	130.0
Expected return on assets	8.5	7.6
Actuarial gains / (losses)	(6.3)	13.3
Employer contributions	7.8	7.7
Contributions in respect of Unfunded Benefits	0.0	0.0
Contributions by scheme participants	3.5	3.5
Unfunded benefits paid	0.0	(0.0)
Benefits paid	(3.4)	(3.6)
31st March balance c/fwd	130.0	158.5

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £21m, (2011/12 £2.3m).

Scheme history:

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

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

£1,351.9m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

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

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

12.3 Expected Future Contributions

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

12.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method; an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Police Pension Scheme is governed by the Police Pension Regulations 1987 and related regulations. An actuarial valuation is carried out every 4 years, the last being at 31 March 2012. The Group has applied the pension disclosures from Government Actuary's Department (GAD) model in accordance with the requirements of CIPFA's Code of Practice for accounting periods commencing on or after 1 April 2010. The accuracy of the outcome relies on assumptions made in a turbulent economy, and actual results may be materially different.

The principal actuarial assumptions used have been:

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

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

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

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

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

12.5 History of experience Gains and Losses

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

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

12.6 Financing of Police Pensions

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

The in-year cost of police pensions is financed with the contributions from police officers (old scheme 11% and new scheme 9.5%) and also a contribution from the employer at 24.2% of salary and operated through a pensions account. If there is a deficit on the Police Pensions Fund Account this is met by a transfer from the Income and Expenditure Account funded by the Home Office. Conversely, if there is a surplus this would be transferred to the Income and Expenditure Account for repayment to the Home Office.

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

SURREY POLICE PENSION FUND ACCOUNT

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

NET ASSETS STATEMENT	2011/2012 £m	2012/2013 £m
Net current assets and liabilities		
contributions due from employer	0.0	0.0
unpaid pension benefits	0.0	0.0
amount due to sponsoring department	0.0	0.0
other current assets and liabilities	0.0	0.0
Net assets and liabilities	0.0	0.0

GLOSSARY OF ACCOUNTING TERMS

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

AMORTISATION

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT (PENSIONS)

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

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

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

GENERAL FUND BALANCES

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

IMPAIRMENT

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

INTEREST COSTS (PENSIONS)

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

PAST SERVICE COSTS

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PRECEPT

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

PROVISION

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

RELATED PARTIES

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

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

RELATED PARTY TRANSACTION

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

REVENUE SUPPORT GRANT

Central Government grant supporting the cost of public services.

SETTLEMENT (PENSIONS)

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

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

