

Chief Constable of Surrey

Statement of Accounts 2015-16



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

NARRATIVE REPORT

1. Introduction

The purpose of this narrative report is to provide a guide to the most significant matters reported in the 2015/16 Financial Statements for the Chief Constable for Surrey Police. The narrative report explains the purpose of the Financial Statements and a summary of the financial activities and the financial position as at 31st March 2016.

The Chief Constable and the Police and Crime Commissioner (PCC) are set up as separate corporation sole entities following the election of the Police and Crime Commissioner in November 2012. The Chief Constable is a 100% subsidiary of the PCC for Surrey.

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

This Statement of Accounts includes all the financial transactions incurred during 2015/16 relating to the Chief Constable. The consolidated Group position including the Chief Constable and PCC, have been prepared in a separate Statement of Accounts.

The financial transactions under the above arrangement are broadly incurred as follows:

The PCC receives all income relating to the Group, and incurs costs relating to the Office of the Police and Crime Commissioner (OPCC). The PCC funds expenditure incurred by the Chief Constable and holds most of the Balance Sheet items.

The Chief Constable incurs all operating costs (excluding those relating to the OPCC) which are funded directly by the PCC. The Chief Constable accounts for all pension costs, including the associated pension liability that is shown in the Chief Constables Balance Sheet.

2. The Statement of Accounts

The Financial Statements, which follow this narrative report have been prepared in accordance with the 2015 Code (Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 Based on International Financial Reporting Standards) issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and comprise of:

- Movement in Reserves Statement. This statement shows the movement in the year on the different reserves held analysed into 'usable reserves' and other reserves.
- Comprehensive Income and Expenditure Statement. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. Expenditure in accordance with regulation is shown in the Movement in Reserves Statement.
- Balance Sheet. This statement shows the value as at the 31st March 2016 of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by either usable or unusable reserves.
- Cash Flow Statement. This statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. The Chief Constable does not manage any of these transactions and accordingly this statement does not show any figures. Movements of monies are included in the PCC's Statement of Accounts.

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

An Annual Governance Statement is included within this Statement of Accounts. The statement is a statutory document which explains the governance processes and procedures in place to enable the Chief Constable to carry out functions effectively

3. Financial Arrangements

Setting the Budget

The PCC sets the annual budget for the Group in consultation with the Chief Constable. The PCC Group gross revenue budget (or operating budget) for 2015/16, was set at £205.7m (2014/15, £207.3m) of which £203.6m was attributed to policing under the direction of the Chief Constable for the year, the remaining gross revenue budget being attributed to the cost of administering the Office of the PCC.

Final Outturn

Overall the Group expenditure for 2015/16 totalled £205.5m (2014/15, £205.0m), resulting in a £0.2m underspend being transferred to General Balances. Actual expenditure attributable to policing under the direction of the Chief Constable was £203.5m (2014/15, £202.7m).

The table below shows the actual expenditure for the Chief Constable compared to budget for 2015/16 by business unit.

	2015/16		
	Budget	Actual	Variance
	£ m	£ m	£ m
North Division	23.1	21.8	(1.3)
East Division	26.4	25.2	(1.2)
West Division	29.1	27.7	(1.4)
Specialist Crime	30.0	29.0	(1.0)
Operations	16.0	16.1	0.1
Criminal Justice	10.8	11.5	0.7
Probationers	3.1	2.9	(0.2)
Contact Management	14.6	14.7	0.1
Corporate Services	11.1	10.7	(0.4)
Support Services	34.2	36.2	2.0
Central Corporate	5.2	7.7	2.5
Chief Constable's Expenditure	203.6	203.5	(0.1)

Detailed analysis of actual expenditure for the year ended 31st March 2016 can also be seen in the Comprehensive Income and Expenditure Statement.

The Comprehensive Income and Expenditure Statement measures the financial performance for the year in terms of resources consumed over period and the funding provided to finance these resources. The accounting basis used is different to the statutory basis used to calculate net expenditure to be funded from local taxation in the form of council tax, as it includes non-cash elements.

The total net expenditure shown in the Comprehensive Income and Expenditure Statement includes operating income and expenditure along with adjustments for non-cash accounting transactions for depreciation, capital grants and pension costs in accordance with IAS 19 requirements. A summary of the Comprehensive Income and

Expenditure Statement is shown below. The intra-group funding is a transfer between the PCC and Chief Constable accounts to offset the financial resources consumed at the request of the Chief Constable on behalf of the Group.

	2015/16
	Net Expenditure £m
Cost Of Services	238.3
Other Operating Expenditure	
Levies	0.7
Intra-group funding	(240.5)
Financing and Investment Income and Expenditure	
Pension Interest Cost	57.2
(Surplus) or Deficit on Provision of Services	55.7

The table below reconciles Chief Constable's operational expenditure for 2015/16 to the position reported in the Comprehensive Income and Expenditure Statement. The table summarises how the management accounts are adjusted for accounting regulations and other statutory adjustments to arrive at the deficit on provision of services as reported in the Comprehensive Income and Expenditure Statement.

	2015/2016
	£m
Operational Delivery Net Expenditure per revenue outturn management report 2015/16	203.5
Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:	
Earmarked Reserves	3.2
Use of General Reserves	2.7
Financial year end accounting adjustments	(1.0)
Amounts in the CIES not in the outturn report:	
Depreciation & amortisation	8.0
Pensions	12.4
Net Cost of Services	228.8
Intra-group Adjustment from PCC to CC for resources consumed at the request of the Chief Constable	(240.5)
Pension Interest costs and expected return on pension assets	57.2
Levies	0.7
Financing & investment income	9.5
(Surplus) or Deficit on Provision of Services	55.7

4. Employee Pension Schemes

Employees of Surrey Police are able to join a pension scheme. For police staff the Local Government Pension Scheme (LGPS) is available and police officers can join the Police Pension Scheme. They are both defined benefit schemes, but differ in their operation. A fuller explanation is provided in the Notes to the Financial Statements. Although benefits from these schemes will not be payable until an officer or staff member retires, the PCC Group

has a future commitment to make these payments and under International Accounting Standard 19 (IAS 19), the PCC Group is required to account for this future commitment based on the full cost at the time of retirement.

The value of the police staff pension scheme is assessed triennially and the employer's contribution is adjusted in line with the actuary's recommendations. The latest triennial valuation completed in April 2013 resulted in employer's contributions being increased in April 2014 from 12% to 17.7%. This increase in costs is being offset partly by a specific reserve that was set up in 2009/10 to address the anticipated deficit and additional ad hoc contributions by the PCC. In 2015/16 the PCC made payments totalling £5.5m to the Surrey Local Government Pension Scheme to reduce the Pension Scheme Deficit.

For the police officers pension fund, the employer's contribution rate is presently set at 21.3%. Under current legislation, any costs that are over or under the employer's contribution are met by the Home Office or returned to them.

5. Further Information

During 2015/16 there were significant operational events that the force managed successfully which included several in June; The Armed Forces Day in Guildford, the international event to celebrate the 800th Anniversary of Signing of the Magna Carta in June, the Royal horse racing event including the Derby at Epsom in June and the major cycling event Ride London Surrey in August. All the events except for the Magna Carta were funded from the Chief Constables budget and the Magna Carta was funded from reserves.

All police forces are inspected by Her Majesty's Inspectorate of Constabulary (HMIC) and during the year Surrey Police was identified to have areas for improvement in public protection which is being addressed through an agreed action plan with the HMIC. This is a national issue as policing raises its capability however there remain historical cases that require investigating which are resource intensive due to their complexity and time passed.

A long standing Surrey based investigation required significant resource during the year, given the name Operation Heather, the cost of which £0.8m was met from reserves.

The Medium Term Financial Plan continues to reflect the decreasing level of funding from central Government, which is being mitigated by the Force's efficiency-driven strategic change programmes and the use of reserves. The PCC set the revenue budget for 2016/17 at £212.2m, which required a 1.99% increase in council tax.

Surrey Police has undertaken significant change activity through a Policing Together programme with Sussex Police, and also with other forces in the South-East region, in order to meet the financial challenges, increase resilience and improve service delivery.

Work is also progressing to develop joint Support Services functions across both Surrey and Sussex where a Joint Procurement Service, Joint Insurance Service and Joint Transport Service are already established along with a fully collaborated Information & Communication Technology Department (ICT). Additionally a joint Finance Service and joint People Services including Human Resources, Learning and Development and Occupational Health will launch at the beginning of 2016/17.

The design principles for contact collaboration across Surrey and Sussex are also underway, alongside consideration as to how this fits with the Emergency Services Collaboration programme work with emergency service partners.

Work is continuing to jointly procure a new Enterprise Resource Planning (ERP) system for Surrey, Sussex and Thames Valley Police, which will underpin much of the support services collaboration activity to enable Joint Support Services.

Regionally five police forces (Thames Valley, Hampshire, Sussex, Surrey and Kent) work together on counter terrorism and tackling serious and organised crime. There is a joint regional oversight board which the five PCCs chair in rotation.

Details of the PCC's plans for revenue and capital expenditure in 2016/17 budget can be found in the Surrey Police and Crime Commissioner's Precept Setting proposal. Whilst the annual budget is agreed by the PCC it is scrutinised by the Police and Crime Panel before a final decision is made. Copies of the documents can be obtained from the Office of the Police and Crime Commissioner for Surrey by telephoning: 01483 630200, or from the website at www.surrey-pcc.gov.uk



Paul Bundy, Chief Finance Officer

Date: 23 SEPTEMBER 2016

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR SURREY

We have audited the financial statements of the Chief Constable for Surrey (the "Chief Constable") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes and include the Surrey 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 2015/16.

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable, as a body, 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 2015/16, which 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 Narrative Report and the Annual Governance Statement and the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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:

- present a true and fair view of the financial position of the Chief Constable as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, the Annual Governance Statement and the Annual Report is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Chief Constable under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Chief Constable's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Chief Constable and auditor

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Chief Constable's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Chief Constable put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Chief Constable has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Chief Constable* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable in accordance with the requirements of the Act and the Code.

Iain Murray

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

Grant Thornton House
Melton Street
Euston Square
London

NW1 2EP

29 September 2016

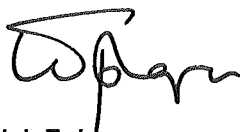
STATEMENT OF RESPONSIBILITIES

The Responsibilities of the Chief Constable

The Chief Constable is required:

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

I approve these audited Statement of Accounts.



Nick Ephgrave
Chief Constable of Surrey Police

Date: 23/9/16

The Responsibilities of the Chief Financial Officer

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of Surrey Police at the accounting date and the income and expenditure for the year ended 31 March 2016.



Paul Bundy
Chief Finance Officer for Surrey Police

Date: 23 September 2016

ANNUAL GOVERNANCE STATEMENT 2015/16

The Chief Constable is required by the Accounts and Audit (England) Regulations 2015 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 2015/16 (Chartered Institute of Public Finance & Accountancy, CIPFA).

This Statement sets out the position as at 1/4/16, including plans for the financial year 2016/17.

1. Scope of Responsibility

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

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

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

The PCC and Chief Constable must both have a suitably qualified Chief Finance Officer (CFO) with defined responsibilities and powers. The CIPFA Statement requires that the CFO should be professionally qualified, report directly to the PCC or the CC (depending on the specific CFO concerned) and be a member of the leadership team. In the Office of Police Crime Commissioner (OPCC), the role of the CFO meets these requirements. In Surrey Police, the CFO is a key member of the Chief Constable's leadership team, but does not report directly to the Chief Constable. The CFO has direct access to the Chief Constable on financial matters however reports to the Deputy Chief Constable. This is consistent with other Surrey Chief Officers who report to either the Chief Constable or the Deputy Chief Constable.

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. The framework includes the Scheme of Corporate Governance, Scheme of Delegation, Financial Regulations and Contract Standing Orders. 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 2016 and up to the date of approval of the Annual Statement of Accounts 2015/16. All governance documents were updated and approved in June 2015 and are available on the Police and Crime Commissioners website.

3. The Governance Framework

The key elements of the Governance Framework include:

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

The Police and Crime Commissioner publish the Police and Crime Plan. The 2015/16 plan included six People's Priorities, and did not set targets. Surrey Police reports on the progress of delivering the People's Priorities at the public webcast PCC Management Meetings which occur every two months. There are also private scrutiny meetings

in intervening months. The Chief Constable and other Chief Officer Group members attend these meetings to report on progress, and relevant documents are provided, which are available on the PCC's website. There is also a Joint PCC Governance Board with Sussex, which has oversight of all joint change activity which provides the ultimate sign-off for implementing collaborative functions and cost sharing within the two forces.

Surrey's new Police & Crime Commissioner is obliged to set a new Plan 'as soon as practicable' after the election in May 2016. This plan has now been set and is available on the PCC's website.

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

Strategic direction and priorities are set by the Chief Officer Group (COG) for Surrey, and the Joint Chief Officer Meeting (JCOM, also called Senior Leadership Team/SLT for part of the year) for matters across Surrey and Sussex; both of these groups meet fortnightly. The Extended Chief Officer Group (ECOG), which includes the Chief Superintendents and Heads of Department, also meets fortnightly and provides a forum to agree changes to policy and practice, and maintain oversight of financial and workforce planning.

There are also a number of governance forums which oversee change and improvement activity. The Joint Investment Board scrutinises capital and revenue investments and the financial element of business cases relating both to Surrey Police and collaboration between Sussex and Surrey Police. In order to assess the strategic and operational fit of business cases, there is a twin track approach. The Strategic Change Board (SCB) reviews all business cases relating to Surrey Police only, and maintains oversight of Surrey only projects throughout the delivery cycle; whilst the Joint Change Board fulfils the same function for all joint/collaborative activity with Sussex Police. This process was changed during 2015/16 and all business cases are now reviewed by the Change Board. Joint business cases are then submitted to JCOM and then the Joint PCC Governance Board for final sign off and agreement, as required within the Scheme of Delegation. Some priority Surrey only projects, for example Policing in Your Neighbourhood (PIYN), are also scrutinised and agreed at the Extended Chief Officer Group in order to provide consultation, and ensure full visibility and agreement, amongst the senior managers in the Force.

Within Surrey each COG lead, Chief Superintendent, and Department Head has their own Senior Management Team (SMT) meeting structure. A Strategic Crime and Incident Recording Group (SCIRG), and a Strategic Risk and Learning Group (SRALG) are also in place to oversee crime data integrity and risk issues.

Going forward work is underway to align governance boards wherever possible with our strategic partner Sussex Police, and it is anticipated that a number of meetings will become 'joint' meetings during the financial year 2016/17 in order to simplify the decision making process across the two Forces, ensure alignment and reduce duplication.

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

The Force holds a monthly Crime Performance Board which is chaired by the Deputy Chief Constable. Key areas of operational performance risk are presented and reviewed by the Board, and Chief Superintendents are held to account for performance in their areas of responsibility. Attendees are expected to commit to actions to improve performance. To support the Crime Performance Board a new performance governance framework has been developed aligned under the HMIC PEEL inspection framework. This includes boards which consider legitimacy, efficiency and effectiveness.

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

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

The risk management strategy has been developed and implemented to collate all internal and external organisational risk intelligence, to evaluate risk using a standard corporate methodology and to develop appropriate control strategies along with on-going monitoring of progress and impact. The Chief Officer Group is responsible for owning and managing Force risks that are considered 'high risk' and also undertake joint responsibility with the PCC on shared risks. The Strategic Risk and Learning Group is the gateway meeting chaired by the Deputy Chief Constable which reviews all Force risks and ensures that the control measures are effective, this group has the responsibility to both remit risks to the Chief Officer Group or back to portfolio level and it is in this Group where Force risks can be closed. Risks are also reviewed on a monthly basis at Department/Divisional SMT meetings. SMTs are attended by senior staff members who feed in risks from their own units and divisions. Detailed information on risks, their impact, relevant control strategies and action plans are maintained on the Force Risk Management Database.

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

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

Risk management is a standard agenda item for management, business change and project meetings ensuring management responsibilities are directed at managing risk appropriately.

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.

We have adopted the College of Policing Code of Ethics which sets out the principles and standards of behaviour expected from police professionals. It applies to every individual who works in policing. The Code introduces 9 principles which underpin and strengthen existing procedures and regulations to ensure standards of professional behaviour for both police officers and staff.

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 divisional and Independent Police Complaints Commissions (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 the Chief Officer Group, Strategic Risk and Learning Group with commissions also taken from the Crime and Performance Board. 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: child protection, custody, children in custody, compliance against HMIC recommendations, CSE review within Contact Centre and rape investigation performance.

The Policy and Procedure Team oversees policy, procedures and guidance in all areas except guidance for Finance and Human Resources which is held separately within the Information Hub and managed by those teams. Finance guidance will be managed by the Policy and procedure team in 2016/17. The Policy Unit maintains the Force's 'Policies and Procedures Database'. All of these documents are accessible by all officers and staff at all times. All policy and 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 (SPOCs) have been identified for business areas, being held responsible for all policies and procedures within their interest area: the areas of interest or 'portfolio holders' are ratified by an ACC and have recently been refreshed in readiness for PiYN.

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 the notification of is sent to all staff via the front page of the intranet.

The Force and Office of the PCC reviewed the key governance documents in the year, Memorandum of Understanding, PCC Scheme of Delegation, Financial Regulations and Contract Standing Orders as well as establishing the Chief Constables Scheme of Delegation.

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

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

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

The Force's Criminal Justice team is responsible for keeping the Force up to date with respect to legislative and national Criminal Justice changes and provides support and guidance to all operational staff. The Force Policy and Procedure Team are responsible for producing the appropriate policies.

To ensure compliance with the relevant laws, regulations and policies, portfolio leads at Superintendent level are in place to ensure that relevant control systems within their area of responsibility are operating effectively.

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

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

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

The Force has in place procedures for dealing with complaints from any individual or authority. This details 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 are recorded 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 review complaints where suitable for local resolution complaints are progressed by either the relevant senior local manager or staff from within PSD. Serious complaints are retained and investigated by PSD and are referred to the IPCC if required under the IPCC guidelines, if this occurs the IPCC determine who should lead the investigation.

Lessons learnt from complaints are considered during and on completion of an investigation. These are formalised by an Organisational Learning Group enabling the Force to identify areas for improvement and in particular consider additional training requirements.

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 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 online Knowledge Centre, 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 Learning and Development Strategy 2015/16.

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

The Learning and Development Department is in the early stages of a collaboration programme with Sussex to support our efficiency drive and to enable staff to provide the most effective support for the business. It aims to deliver updated technology, a collaborated rationalised range of products in line with the new College of Policing mandated curriculum and development of a workplace coaching culture to drive performance. A review of training programmes is taking place to provide a more blended approach to training with a desire to reduce classroom delivery. A single lead for Surrey and Sussex Learning and Development has been appointed with an L&D Service Delivery Manager in place for each force reporting into that role. Planning and capability are reviewed on a regular basis via the workforce planning and performance board.

In the past year, the training focus has been on supporting the roll out of our new Leadership Development Programme for first and second line managers, Critical Incident Hydra sessions for Sergeants and Inspectors with Critical Incident Managers receiving two continuing professional development (CPD) events to ensure their skills are up to date. Additional monies were invested in the budget this year to develop investigative skills within the Force, this having been identified as a risk to current practice and future omni-competent model.

Improvements in regional and multi-agency collaborative projects, including safeguarding children and vulnerable adults, are continuing to produce a greater understanding of best practice, collaborated delivery and a subsequent 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 Knowledge Centre and the Learning and Development intranet pages are being reviewed and amended to bring them in line with corporate design.

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

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 supports the PCCs engagement about the People's Priorities through a range of communication ranging from personal contact at community meetings through to social media engagement.

The corner stone of our engagement is through the Neighbourhood Policing Model where the public continue to have personal contact with officers. Supporting this, traditional communication channels through local broadcast and print media have continued to be used. There has been an ongoing focus on providing proactive news about Surrey Police's operations and services rather than just responding to inquiries from the media, in order to keep the public informed and confident in the services Surrey Police is providing.

The Force continues to develop its social and digital media engagement. At the end of March 2016 we had increased our Twitter followers to over 91k and have over 19k likes of the Force's main Facebook page. We have also launched a mobile enabled website to make content easier to navigate and read in response to the majority of web traffic coming from mobile devices.

Core force priorities have been supported with campaigns for Policing Matters which helps educate the public about changing crime patterns and how the force is restructuring to respond to them, in addition to crime prevention through child sexual exploitation, domestic abuse and a joint Surrey and Sussex drink and drug drive campaign.

Internal communication has been key to ensuring staff are informed about the priorities they need to focus on, this has included continuation of a monthly performance bulletin, awareness raising about public protection crime investigation and safeguarding requirements and significant communication and engagement in relation to change programmes.

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

3.12 Incorporating good governance arrangements in respect of partnerships and other joint working

Surrey Police Neighbourhood teams are co-located with community safety partners in all 11 boroughs with benefits from faster information flow and skills sharing. Public front counter services are also delivered from 6 borough council offices.

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

The force has signed up to the PCC's key priorities which are also hugely impactful in the wider community safety landscape in Surrey. For 2015/16 they were:

- Take a zero-tolerance approach to policing in Surrey
- More visible street policing
- Put victims at the centre of the criminal justice system
- Give you the opportunity to have a greater say in how your streets are policed

- Protect your local policing; and
- Being uncompromising in the standard you expect from your police

At County level the Chief Constable sits on the Community Safety Partnership (chaired by the PCC) and the Health and Well Being Board.

4. Review of Effectiveness

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

4.1 Performance Management

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

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

4.2 Joint Audit Committee

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

4.3 Risk Management

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

4.4 Professional Standards

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

4.5 Internal Audit

The internal audit function is carried out by RSM for both the OPCC and the Chief Constable, each year they work in line with an annual internal audit plan, which is approved by the Joint Audit Committee.

The CIPFA code requires Internal Audit to provide an opinion on the overall adequacy and effectiveness of the governance framework. That opinion is provided below and is based on the work undertaken by the Internal Auditors in 2015/16 completed in line with the Audit Plan referred to above.

Internal Audit opinion

For the 12 months ended 31 March 2016, the Head of Internal Audit opinion for Surrey Police Force is as follows:

Based on the work we have undertaken on the systems of internal control, governance and risk management across Surrey Police Force and OPCC, we do not consider that there are any issues that need to be flagged as significant internal control weaknesses.

We have issued one 'no assurance' (red) opinion; this related to the review of BT Datacentre Project Initiation. Four high priority actions were identified, although it should be noted that management had already identified the same issues and taken action to address these. We have issued two 'partial assurance' (amber red) reports with five high category management actions agreed, two of these in the Data Quality report and three in the Commissioning of Grant Funding review, which flagged issues in the following areas:

- Lack of policy and procedural documentation;
- Lack of evidence of transparency in grant award decisions;
- Lack of financial due diligence on grant applicants
- Lack of consistent checks on data applied across all regions
- Lack of follow through where errors are identified by the Force's own data checks

We issued positive assurance reports for seven reviews undertaken in 2015/16; New Desktop project review, Property Seizures, Integrated Offender Management, Governance of Collaborations, Financial Feeders, Risk Management and Managing Victims of Crime.

Furthermore, we have completed two reviews of an advisory nature. These were in the areas of Vehicle Recovery Unit and Legal and Insurance Department reviews where a number of management actions were included to enhance the respective control frameworks moving forward.

We have also completed a follow up review where we concluded little progress had been made in implementing the agreed management actions from prior years.

4.6 Other explicit review/inspection mechanisms

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

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

Surrey Police is reviewed on an ongoing basis by Her Majesty's Inspectorate of Constabulary (HMIC), who independently assesses police forces across policing activity.

During 2015/16 the following inspections were carried out:

- PEEL – efficiency, legitimacy and leadership.
- Child Protection
- Vulnerability (part of Peel effectiveness)
- Peel – effectiveness part 2 including legitimacy

5. Significant Governance Issues

There are no significant Governance issues to report, however there are some areas for improvement detailed below that the Force is facing but are not necessarily a result of weaknesses within the internal control framework.

6. Areas for improvement

Internal Audit issued no assurance or partial assurance for audits relating to; BT Datacentre Project Initiation, Data Quality and Commissioning of Grant Funding.

There were seven recommendations for the BT Datacentre Project Initiation review (four of these were rated high) of which six have been implemented and will be followed up by internal audit as part of our agreed process for signing off audit recommendations. The last recommendation is currently in progress and is included in the Joint Audit Committee report on internal audit recommendations.

The Data Quality review contains 9 recommendations (2 rated high), the majority of which have been superseded by the Policing in Your Neighbourhood review that went live on the 1st April 2016. At the request of the Force, the 2017 audit plan includes a combined audit of Data Quality and Crime Recording to review the changes made. Progress on all recommendations are reported on at each Joint Audit Committee.

Commissioning of Grant funding contains 8 recommendations (3 high), and relates to the Office of the Police and Crime Commissioner. The 3 high recommendations have been implemented and the remaining recommendations will be monitored by the Joint Audit Committee in accordance with the agreed methodology.

There have been a number of difficulties with the Force's IT service that have been managed though a gold group during the year. An external joint Surrey and Sussex review is being undertaken to provide an overall assurance assessment of the current medium term IT Strategy and how the organisation is set up to deliver IT governance, management, supply and demand e.g. business as usual /project portfolio, architecture and resourcing.

Based on the opinion of the Internal Auditor and assurances given by our senior managers across the Force, we are satisfied that our arrangements for governance, risk management and control are adequate and effective.



Nick Ephgrave

Chief Constable

Date: 23 / 9 / 16



Paul Bundy

Chief Finance Officer

Date: 23 September 2016

2015/2016 FINANCIAL STATEMENTS

Movement in Reserves Statement of the Chief Constable of Surrey

	General Reserve £m	Capital Grants Unapplied £m	Capital Receipts Reserve £m	Total Useable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance at 1 April 2014	0.0	0.0	0.0	0.0	(1,487.8)	(1,487.8)
Surplus or (deficit) on provision of services	(67.0)	0.0	0.0	(67.0)	0.0	(67.0)
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	(181.1)	(181.1)
Total Comprehensive Expenditure and Income	(67.0)	0.0	0.0	(67.0)	(181.1)	(248.1)
Adjustments between accounting basis & funding basis under regulations	67.0	0.0	0.0	67.0	(67.0)	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	0.0	0.0	0.0	0.0	(248.1)	(248.1)
Transfers to / from Earmarked Reserves	0.0	0.0	0.0	0.0	0.0	0.0
Increase / Decrease in Year	0.0	0.0	0.0	0.0	(248.1)	(248.1)
Balance at 31 March 2015	0.0	0.0	0.0	0.0	(1,735.9)	(1,735.9)
Surplus or (deficit) on provision of services	(55.7)	0.0	0.0	(55.7)	0.0	(55.7)
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	304.6	304.6
Total Comprehensive Expenditure and Income	(55.7)	0.0	0.0	(55.7)	304.6	248.9
Adjustments between accounting basis & funding basis under regulations	55.7	0.0	0.0	55.7	(55.7)	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	0.0	0.0	0.0	0.0	248.9	248.9
Transfers to / from Reserves	0.0	0.0	0.0	0.0	0.0	0.0
Increase / Decrease in Year	0.0	0.0	0.0	0.0	248.9	248.9
Balance at 31 March 2016	0.0	0.0	0.0	0.0	(1,487.0)	(1,487.0)

Comprehensive Income & Expenditure Account of the Chief Constable for Surrey

	31 March 2015 £m	31 March 2016 £m
Financial resources of the PCC consumed at the request of the CC		
*Local Policing	79.4	83.0
*Dealing with the Public	23.1	26.1
*Criminal Justice Arrangements	19.6	20.1
*Roads Policing	12.0	9.9
*Specialist Operations	10.5	11.0
*Intelligence	11.8	10.0
*Investigations	63.2	64.6
*Investigative Support	7.1	7.5
*National Policing	5.3	4.9
Non Distributed Costs	0.7	0.4
Corporate and Democratic Core	0.7	0.8
Levies	0.7	0.7
Financial resources consumed	234.1	239.0
Police Officer Pension Commutation Provision	5.7	0.0
Intra-group adjustment	(238.2)	(240.5)
Net Cost of Policing Services	1.6	(1.5)
Financing and Investment Income and Expenditure		
Pension Interest Cost	65.4	57.2
(Surplus) or Deficit on Provision of Services	67.0	55.7
Remeasurement of pension assets/liabilities	181.1	(304.6)
Total Comprehensive Income and Expenditure	248.1	(248.9)

*2014/15 figures amended due to change of cost driver in 2015/16 to allocate central costs to make figures comparable

Balance Sheet of the Chief Constable for Surrey

31 March 2015 £m		Notes	31 March 2016 £m
0.0	Long Term Assets		0.0
0.0	Total Long Term Assets		0.0
	Current Assets		
6.7	Short Term Debtors	7	0.4
6.7	Total Current Assets		0.4
	Current Liabilities		
(0.5)	Short Term Creditors	8	(0.5)
(6.7)	Provisions	9	(0.4)
(7.2)	Total Current Liabilities		(0.9)
	Long Term Liabilities		
(1,735.4)	Other Long Term Liabilities		(1,486.5)
(1,735.4)	Total Long Term Liabilities		(1,486.5)
(1,735.9)	Net Assets		(1,487.0)
	Financed by:		
0.0	Usable Reserves		0.0
	Unusable Reserves	6	
(0.5)	Accumulated Absences		(0.5)
(1,735.4)	Pension Reserve		(1,486.5)
(1,735.9)			(1,487.0)



Paul Bundy, Chief Finance Officer

Date: 23 SEPTEMBER 2016

Cash Flow Statement of the Chief Constable for Surrey

	31 March 2015 £m	31 March 2016 £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. Critical Judgements in Applying Accounting Policies

The preparation of the financial statements requires judgements, estimates and assumptions to be made that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors, the results of which form 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, those relevant to the Chief Constable's financial statements are:

- Future funding levels – there is a high degree of uncertainty about future levels of funding for Police and Crime Commissioners. However, the Group has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Group might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Working capital – the PCC controls the treasury management function and all bank accounts, therefore the majority of the working capital balances (cash, current debtors and currently liabilities) are recognised in the PCC's Balance Sheet.
- Pensions – The cost of pension arrangements require estimates assessed by an independent qualified actuary regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting the responsibility of the Group are as advised by the actuaries. The financial assumptions are largely prescribed at any point and reflect market expectation at the reporting date. Assumptions are also made around life expectancy.
- Pensions – The PCC also has to determine whether items should be recognised in the PCC or Chief Constable accounts. The decision for the Pension Reserve to be recognised in the Chief Constable accounts was based on the fact that the under stage 2 transfer, that came into effect on the 1st April 2014, the Chief Constable holds the contract of employment for the majority of Police Staff, with the PCC holding contracts of employment for the team of staff in his office. A judgement has also been made not to split the Pension Reserve between the Chief Constable and the PCC. Whilst the Pension Reserve includes staff employed within the Office of the Police and Crime Commissioner it is not considered to be material or likely to influence decision or assessments of users made on the basis of the Financial Statements.
- Accumulated absences – the PCC has to determine whether the leave accrual should be accounted for in the PCC or Chief Constables accounts. As the majority of employee costs are accounted for in Chief Constables accounts the leave accrual has been accordingly matched and accounted for on the Chief Constables Balance Sheet. The calculation is based on staff annual leave records and an average costs for each grade.
- Collaboration – the PCC has to determine how to account for collaborative arrangements. The Surrey/Sussex collaboration is accounted for as a joint operation whereby both parties have joint control of the arrangements and costs are shared in accordance with an agreed funding model.

2. Events After The Balance Sheet Date

The audited Statement of Accounts were approved by the Chief Constable on 23 September 2016. Where events taking place before this date provide information about conditions existing at 31 March 2016, 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.

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

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

The items in the Chief Constable's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Government's Actuary's Department have been engaged to provide the Group with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme.	The Police Pension Scheme is governed by the Police Pensions Regulations 1987 and related regulations. An actuarial valuation is carried out every 4 years, the last being at 31 March 2012. The Group has applied the pension disclosures from Government Actuary's Department (GAD) model in accordance with the requirements of CIPFA's Code of Practice for accounting periods commencing on or after 1 April 2010. The last formal valuation of LGPS was 31 March 2013 when interim reviews were recommended prior to the next valuation at 31 March 2016. The results of this valuation will be applied in 2016/17 accounts. The accuracy of the outcome relies on assumptions made in a fragile economy, and actual results may be materially different.

4. Prior Year Adjustments

The Chief Constable has no prior year adjustments to report for the year ended 31st March 2016.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2014/2015	General Fund Balance	Total Usable Reserves	Pension Reserve	Accumulated Absences Reserve	Total Unusable Reserves
	£m	£m	£m	£m	£m
Reversal of items included in the Comprehensive Income and Expenditure Statement:					
Net charges made for retirement benefits in accordance with IAS19	(119.7)	(119.7)	119.7	0.0	119.7
Short term employee benefits	0.1	0.1	0.0	(0.1)	(0.1)
Addition of items excluded from the Comprehensive Income and Expenditure Statement					
Employer's contribution payable to the Pensions Account and retirement payable direct to pensioners	52.6	52.6	(52.6)	0.0	(52.6)
Net additional amount required to be (credited) / debited to the General Fund balance for the year	(67.0)	(67.0)	67.1	(0.1)	67.0

2015/2016	General Fund Balance	Total Usable Reserves	Pension Reserve	Accumulated Absences Reserve	Total Unusable Reserves
	£m	£m	£m	£m	£m
Reversal of items included in the Comprehensive Income and Expenditure Statement:					
Net charges made for retirement benefits in accordance with IAS19	(109.5)	(109.5)	109.5	0.0	109.5
Short term employee benefits	0.0	0.0	0.0	0.0	0.0
Addition of items excluded from the Comprehensive Income and Expenditure Statement					
Employer's contribution payable to the Pensions Account and retirement payable direct to pensioners	53.8	53.8	(53.8)	0.0	(53.8)
Net additional amount required to be (credited) / debited to the General Fund balance for the year	(55.7)	(55.7)	55.7	0.0	55.7

6. Unusable Reserves

Unusable Reserves	As At 31 March 2015 £m	As At 31 March 2016 £m
Accumulated Absences Account	(0.5)	(0.5)
Pension Reserve	(1,735.4)	(1,486.5)
Total Unusable Reserves	(1,735.9)	(1,487.0)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2016. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2014/15 £m	2015/16 £m
Opening Balance at 1 April	(0.6)	(0.5)
Settlement or cancellation of accrual made at the end of the preceding year	0.6	0.5
Amounts accrued at the end of the current year	(0.5)	(0.5)
Closing Balance at 31 March	(0.5)	(0.5)

Pension Reserve

	Police Pension Schemes					Local Government Pension Scheme		Total	
	1987	2006	1987	2006	2015	2014/15	2015/16	2014/15	2015/16
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opening Balance	(1,350.5)	(51.9)	(1,542.9)	(76.5)	0.0	(84.8)	(116.0)	(1,487.2)	(1,735.4)
Actuarial (Losses)/Gains	(144.1)	(8.6)	244.0	13.8	2.1	(28.4)	44.7	(181.1)	304.6
Appropriation from Revenue Account to offset IAS19 composite items	(88.0)	(16.5)	(68.3)	(4.0)	(20.0)	(15.2)	(17.1)	(119.7)	(109.4)
Appropriation to Revenue Account to reconcile back to taxation requirement	39.7	0.5	42.3	0.1	0.1	12.4	11.2	52.6	53.7
Closing Balance	(1,542.9)	(76.5)	(1,324.9)	(66.6)	(17.8)	(116.0)	(77.2)	(1,735.4)	(1,486.5)

7. Short Term Debtors

Debts outstanding at 31st March 2016 are as follows:

	31 March 2015 £m	31 March 2016 £m
Short Term Debtors		
Intra Group Debtor	6.7	0.4
TOTAL SHORT TERM DEBTORS	6.7	0.4

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

8. Short Term Creditors

Payments due at 31st March 2016 are as follows:

	31 March 2015 £m	31 March 2016 £m
Short Term Creditors		
Accumulated absences	0.5	0.5
TOTAL SHORT TERM CREDITORS	0.5	0.5

9. Provisions

Provisions held at 31st March 2016 are as follows:

	Balance as at 31 March 2015 £m	Appropriations to/from revenue £m	Balance as at 31 March 2016 £m
Restructuring Provision	1.0	(0.6)	0.4
Police Officer Pension Commutation Provision	5.7	(5.7)	0.0
Total Provisions	6.7	(6.3)	0.4

Restructuring Provision

The restructuring provision has been created for restructuring costs in accordance with strategic change programmes that have formal plans or supporting business cases as at 31st March 2016. These change programmes are either in the process of being implemented or will be implemented during 2016/17

10. Amounts Reported For Resource Allocation Decisions

2014-2015	Operational £m	Support services £m	Other £m	Total for CC £m	PCC £m	Total £m
Fees, charges & other service income	(5.1)	(1.0)	(1.0)	(7.1)	(0.0)	(7.1)
Government grants	(1.5)	0.0	(1.5)	(3.0)	(0.6)	(3.6)
Total Income	(6.6)	(1.0)	(2.5)	(10.1)	(0.6)	(10.7)
Employee expenses	134.9	18.2	16.4	169.5	0.8	170.3
Other operating expenses	21.8	17.2	4.3	43.3	2.1	45.4
Total operating expenses	156.7	35.4	20.7	212.8	2.9	215.7
Net Cost of Services	150.1	34.4	18.2	202.7	2.3	205.0

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

£m

Cost of Services in Service Analysis

202.7

Net expenditure of services & support services not included in main analysis

15.3

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

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

4.9

Net Cost of Services in Comprehensive Income and Expenditure Statement

222.9

Reconciliation to Subjective Analysis

	Service Analysis £m	Services not in Analysis £m	Not Included in Management Accounts £m	Not included in I&E £m	Net Cost of Services £m	Amount attributable to PCC £m	Pensions £m	Intra Group Funding £m	Total £m
Fees, charges & other service income	(7.1)				(7.1)	8.3			1.2
Gain on Disposal of Fixed Assets				0.1	0.0				0.0
Interest and investment income					0.1				0.1
Income from council tax					0.0				0.0
Government grants and contributions	(3.0)				(3.0)	(0.6)			(3.6)
Intra Group Funding								(238.2)	(238.2)
Total Income	(10.1)	0.0	0.0	0.1	(10.0)	7.7	0.0	(238.2)	(240.5)
Employee expenses	169.5	(0.1)	14.7		184.1	0.7	65.4		250.2
Police Pension Additional Lump Sums							5.7		5.7
Other service expenses	43.3	0.1		(3.0)	40.4	2.1			42.5
Depreciation, amortisation and impairment				8.5	8.5				8.5
Precepts & Levies				(0.7)	(0.7)	0.7			0.0
Profit on Disposal of Fixed Assets			0.6		0.6				0.6
Total operating expenses	212.8	0.0	15.3	4.8	232.9	3.5	71.1	0.0	307.5
Surplus or deficit on the provision of services	202.7	0.0	15.3	4.9	222.9	11.2	71.1	(238.2)	67.0

2015-2016	Operational £m	Support services £m	Other £m	Total for CC £m	PCC £m	Total £m
Fees, charges & other service income	(3.9)	(2.1)	(3.0)	(9.0)	0.0	(9.0)
Government grants	(1.4)	0.0	(0.8)	(2.2)	(1.3)	(3.5)
Total Income	(5.3)	(2.1)	(3.8)	(11.2)	(1.3)	(12.5)
Employee expenses	138.9	18.9	17.6	175.4	0.9	176.3
Other operating expenses	15.3	19.4	4.6	39.3	2.4	41.7
Total operating expenses	154.2	38.3	22.2	214.7	3.3	218.0
Net Cost of Services	148.9	36.2	18.4	203.5	2.0	205.5

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

£m

Cost of Services in Service Analysis

203.5

Net expenditure of services & support services not included in main analysis

13.9

Amounts in the Net Cost of Services not included in management accounts e.g. IAS19 pension costs

8.0

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

3.4

Net Cost of Services in Comprehensive Income and Expenditure Statement

228.8

Reconciliation to Subjective Analysis

	Service Analysis £m	Services not in Analysis £m	Not included in Management Accounts £m	Not included in Net Cost of Services £m	Net Cost of Services £m	Amount attributable to PCC £m	Pensions £m	Intra Group Funding £m	Total £m
Fees, charges & other service income	(9.0)				(9.0)	7.5			(1.5)
Gain on Disposal of Fixed Assets				0.2	0.0				0.0
Interest and investment income					0.2				0.2
Income from council tax					0.0				0.0
Government grants and contributions	(2.2)			2.2	0.0	(1.3)			(1.3)
Intra Group Funding								(240.5)	(240.5)
Total Income	(11.2)	0.0	0.0	2.4	(8.8)	6.2	0.0	(240.5)	(243.1)
Employee expenses	175.4	13.9	(1.5)	0.1	187.9	0.9	57.2		246.0
Other service expenses	39.3			1.6	40.9	2.4			43.3
Depreciation, amortisation and impairment			8.0		8.0				8.0
Levies				(0.7)	(0.7)	0.7			0.0
Profit on Disposal of Fixed Assets			1.5		1.5				1.5
Total operating expenses	214.7	13.9	8.0	1.0	237.6	4.0	57.2	0.0	298.8
Surplus or deficit on the provision of services	203.5	13.9	8.0	3.4	228.8	10.2	57.2	(240.5)	55.7

Subjective Expenditure Analysis

	2014/2015 £m	2015/2016 £m
Financial Resources of the PCC consumed at the request of the CC		
Police Pay, NI and Allowances	82.5	85.0
Police Staff Pay, NI, Superannuation & Allowances	68.9	71.9
Other Employee Expenditure	5.4	5.7
Total Employee Expenditure	156.8	162.6
Net Cost Police Pensions Scheme	33.7	28.7
Premises	7.7	8.4
Supplies and Services	21.3	24.2
Transport	4.9	4.9
Depreciation	9.0	9.5
Levies	0.7	0.7
Total financial resources of the PCC consumed at the request of the CC	234.1	239.0
Police Officer Pension Commutation Provision	5.7	0.0
Intra-group adjustment	(238.2)	(240.5)
Net cost of Policing Services	1.6	(1.5)
Financing and Investment Income and Expenditure		
Pension Interest Cost and Expected Return on Assets	65.4	57.2
(Surplus) or Deficit on Provision of Services	67.0	55.7

11. Collaborations

The PCC Group continues to develop joint working arrangements with Sussex Police through a Policing Together programme, and other agencies in the South-East region.

Up to 31st March 2016 the PCC Group supported the following regional arrangements via a contribution to the host force in accordance with an agreed funding model:

- South East Regional Organised Crime Unit
- Serious Crime Investigation Team
- Covert Operations Unit
- Technical Surveillance Unit
- Witness Protection Unit

The PCC Group also support the National Police Air Service in West Yorkshire.

Each of the collaborations between Surrey and Sussex Police Forces has a Lead Force and costs are shared in accordance with an agreed funding model. Each Force accounts for their share of total income and expenditure and assets in the Comprehensive Income and Expenditure Statement and Balance Sheet.

	Total Cost 2015-16 £m	Surrey Share 2015-16 £m	Surrey Share 2014-15 £m
Collaborated Services			
Sussex			
Operations Command	32.2	14.6	15.4
Specialist Crime	17.6	8.0	7.1
People Services	0.5	0.2	0.0
Joint IT	6.4	2.9	0.0
Change Delivery	0.1	0.1	0.0
Joint Transport Service	0.9	0.4	0.5
Procurement	0.5	0.2	0.2
Insurance	0.2	0.1	0.1
Finance and Services	0.4	0.2	0.0
Shared Costs			
Chief Officers	0.5	0.2	0.2
Policing Together Support Services	0.8	0.4	0.4
Joint Target Operating Model	0.0	0.0	0.1
Other	0.0	0.0	0.1
Other			
ERP - Sussex and Thames Valley	0.7	0.3	0.0
	60.8	27.6	24.1

12. Joint Audit Committee

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

Members' Allowances for the Joint Audit Committee are:

Attendance Allowance £22.86 per hour
Chair Allowance £2,500 per annum

13. 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 2016. The costs of seconded employees are fully recovered.

Remuneration Band £	2014/15			2015/16		
	Number of Employees	Seconded Employees	Total	Number of Employees	Seconded Employees	Total
50,000 - 54,999	117	1	118	139	2	141
55,000 - 59,999	66	2	68	88	2	90
60,000 - 64,999	14	0	14	26	1	27
65,000 - 69,999	7	0	7	7	0	7
70,000 - 74,999	6	1	7	8	1	9
75,000 - 79,999	3	1	4	5	0	5
80,000 - 84,999	11	1	12	9	1	10
85,000 - 89,999	3	0	3	1	0	1
90,000 - 94,999	0	0	0	1	1	2
95,000 - 99,999	3	0	3	0	0	0
100,000 - 104,999	0	0	0	1	0	1
105,000 - 109,999	0	0	0	1	0	1
110,000 - 114,999	0	0	0	2	0	2
115,000 - 119,999	1	0	1	0	0	0
120,000 - 124,999	0	0	0	1	0	1
125,000 - 129,999	0	0	0	0	0	0
130,000 - 134,999	0	0	0	0	0	0
135,000 - 139,999	0	0	0	0	0	0
140,000 - 144,999	1	0	1	0	0	0
Total	232	6	238	289	8	297

Remuneration for Senior Officers with a salary between £50,000 and £150,000 with responsibility for the management of Surrey Police were:									
Position	Position Start Date	Position End Date	2014/15		2015/2016				
			Total Remuneration £		Salary, Fees & Allowances £	Employers Pension Contribution £	Compensation for Loss of Office £	Benefit in kind. Private Use of Vehicle £	Total Remuneration £
Chief Constable-Lynne Owens	01/02/2012	03/01/2016	178,938		110,244	25,583		4,980	140,807
Temporary Chief Constable-Nick Ephgrave-Note 1	19/12/2015				31,112	7,393		933	39,438
Deputy Chief Constable-Note 1	29/07/2013	18/12/2015	145,438		93,337	22,178		2,800	118,315
Temporary Deputy Chief Constable-Note 2	20/12/2015				27,161	6,399		900	34,460
Assistant Chief Constable -Note 2	04/10/2013	19/12/2015	124,851		81,483	19,197		2,700	103,380
Assistant Chief Constable	20/05/2013		124,508		105,081	24,532		4,674	134,287
Temporary Assistant Chief Constable Note 3	20/12/2015				21,829	5,059		143	27,031
Chief Superintendent-Note 3	23/11/2008	19/12/2015	108,608		65,487	15,175		428	81,090
Chief Superintendent	24/05/2009		107,656		82,553	20,234		2,862	105,649
Chief Superintendent	07/01/2013		104,345		82,234	19,822		1,948	104,004
Chief Superintendent	07/01/2013		113,232		83,023	19,822		4,263	107,108
Chief Superintendent	09/06/2014		105,565		84,307	19,854		1,648	105,809
Temporary Chief Superintendent	20/12/2015				79,246	18,569		2,448	100,263
Temporary Chief Superintendent	20/12/2015				73,329	17,578		3,013	93,920
Temporary Chief Superintendent	19/12/2015				80,316	18,530		1,739	100,585
Assistant Chief Officer	27/08/2013		113,551		110,908	18,199			129,107
Head of Corporate Communications	30/04/2013		79,535		70,151	11,556			81,707
Head of Human Resources-Note 4	01/08/2009	30/04/2015	98,320		7,240	1,168	33,491		41,899
Head of Finance & Services	01/09/2010		98,166		86,070	14,018			100,088
Chief Information Officer-Note 4	02/06/2014	13/07/2015	98,478		31,256	4,979	24,679		60,914
Chief Information Officer	16/11/2015				44,046	7,301			51,347
GROUP TOTAL			1,601,191		1,450,413	317,146	58,170	35,479	1,861,208

Note 1 - 2015/2016 position covered by same employee

Note 2 - 2015/2016 position covered by same employee

Note 3 - 2015/2016 position covered by same employee

Note 4 - Compensation for Loss of Office includes Redundancy and Payment in Lieu of Notice

14. Number of exit packages agreed

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

Exit Package cost band £	2014/15		2015/16	
	Number	Total Cost of Packages £	Number	Total Cost of Packages £
0 - 19,999	32	321,081	61	700,542
20,000 - 39,999	10	296,876	9	252,649
40,000 - 59,999	0	0	0	0
60,000 - 79,999	0	0	0	0
80,000 - 99,999	0	0	0	0
100,000 - 149,999	0	0	0	0
150,000 - 199,999	0	0	0	0
Total	42	617,957	70	953,191

15. Defined Benefit Pension Schemes

Pension Arrangements

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

The Group participates in two pension schemes:

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

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. In accordance with IAS 19 requirements, the amount includes current and past service costs, curtailments and settlements, together with the gains/losses on the police injury pension. The current service cost and valuation of the Schemes as at 31 March 2016 have been produced by actuaries. The following transactions reflect the total charges in the Chief Constables Comprehensive Income and Expenditure Statement. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments for those benefits and to disclose them at the time the employee earns them.

Transactions relating to Retirement Benefits

	Police Pension Scheme					LGPS Scheme		Total	
	1987	2006	1987	2006	2015	2014/15	2015/16	2014/15	2015/16
	2014/15		2015/16						
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Comprehensive Income and Expenditure Statement									
Cost of Services									
Service cost comprising:									
current service cost	29.4	13.0	18.2	0.9	19.7	11.3	13.2	53.7	52.0
past service costs	0.0	0.4	0.0	0.2	0.0	0.0	0.0	0.4	0.2
(gain) / loss from settlements	0.0	0.0	0.0	0.0	0.0	0.3	0.1	0.3	0.1
Finance and Investment Income and Expenditure									
Net interest expense	58.6	3.1	50.2	2.9	0.3	3.6	3.8	65.3	57.2
Total post employment benefits charged to the surplus or deficit on the Provision of Services	88.0	16.5	68.4	4.0	20.0	15.2	17.1	119.7	109.5
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement									
Remeasurement of the net defined benefit liability comprising:									
return on plan assets	0.0	0.0	0.0	0.0	0.0	(16.7)	4.8	(16.7)	4.8
actuarial gains and losses arising on changes in demographic assumptions	(63.1)	(8.7)	(22.5)	(1.3)	(0.3)	0.0	0.0	(71.8)	(24.1)
actuarial gains and losses arising on changes in financial assumptions	234.8	19.2	(127.1)	(18.3)	(1.7)	47.0	(46.2)	301.0	(193.3)
other	(27.6)	(1.9)	(94.4)	5.8	(0.1)	(1.9)	(3.3)	(31.4)	(92.0)
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	144.1	8.6	(244.0)	(13.8)	(2.1)	28.4	(44.7)	181.1	(304.6)
Movement in Reserves Statement									
reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the Code	(88.0)	(16.5)	(68.4)	(4.0)	(20.0)	(15.2)	(17.1)	(119.7)	(109.5)
Actual amount charged against the General Fund Balance for pensions in the year:									
Employers' contributions payable to scheme	10.8	5.4	5.5	0.4	10.4	12.4	11.2	28.5	27.5
Retirement benefits payable to pensioners	39.7	0.5	42.3	0.1	0.1	4.6	4.6	44.8	47.1

Assets and liabilities in relation to retirement benefits

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Police Pension Scheme					LGPS Scheme		Total	
	1987	2006	1987	2006	2015	2014/15	2015/16	2014/15	2015/16
	2014/15		2015/16						
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance at 1 April 2015	(1,338.4)	(63.8)	(1,530.8)	(88.4)	0.0	(258.9)	(325.6)	(1,661.1)	(1,944.8)
Current service cost	(29.4)	(13.0)	(18.2)	(0.9)	(19.7)	(11.3)	(13.2)	(53.7)	(52.0)
Interest cost	(58.6)	(3.1)	(50.2)	(2.9)	(0.3)	(11.3)	(10.9)	(73.0)	(64.3)
Contributions from scheme participants	0.0	0.0	0.0	0.0	0.0	(3.3)	(3.1)	(3.3)	(3.1)
Remeasurement (gains) and losses:									
Actuarial gains / losses arising from changes in demographic assumptions	63.1	8.7	22.5	1.3	0.3	0.0	0.0	71.8	24.1
Actuarial gains / losses arising from changes in financial assumptions	(234.8)	(19.2)	127.1	18.3	1.7	(47.0)	46.2	(301.0)	193.3
Other	27.6	1.9	94.4	(5.8)	0.1	1.9	3.3	31.4	92.0
Past service cost (Pensions Transfers In)	0.0	(0.4)	0.0	(0.2)	0.0	0.0	0.0	(0.4)	(0.2)
Losses / (gains) on curtailment	0.0	0.0	0.0	0.0	0.0	(0.3)	(0.1)	(0.3)	(0.1)
Benefits paid	39.7	0.5	42.3	0.2	0.1	4.6	4.6	44.8	47.2
Closing balance at 31 March 2016	(1,530.8)	(88.4)	(1,312.9)	(78.4)	(17.8)	(325.6)	(298.8)	(1,944.8)	(1,707.9)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2014/15 £m	2015/16 £m
Opening Balance 1st April 2015	174.0	209.4
Interest income	7.7	7.1
Remeasurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	16.7	(4.8)
Other	0.0	0.0
Contributions from employer	12.3	11.2
Contributions from employees into the scheme	3.3	3.1
Benefits paid	(4.6)	(4.6)
Closing Balance 31st March 2016	209.4	221.4

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

Scheme history:

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
Present value of liabilities:					
Local Government Pension Scheme	(178.6)	(227.0)	(258.9)	(325.6)	(298.8)
Police Pension Schemes:					
1987	(1,148.4)	(1,349.4)	(1,338.4)	(1,530.8)	(1,312.8)
2006	(33.8)	(55.0)	(63.9)	(88.4)	(78.5)
2015					(17.8)
Fair value of assets:					
Local Government Pension Scheme	130.0	158.5	174.0	209.4	221.4
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(48.6)	(68.5)	(84.9)	(116.2)	(77.4)
Police Pension Schemes:					
1987	(1,148.4)	(1,349.4)	(1,338.4)	(1,530.8)	(1,312.8)
2006	(33.8)	(55.0)	(63.9)	(88.4)	(78.5)
2015					(17.8)
Total	(1,230.8)	(1,472.9)	(1,487.2)	(1,735.4)	(1,486.5)

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £1,486.5m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,370.5m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

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

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

Expected Future Contributions

The total contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2017 are £9.4m. Expected contributions for the Police Pension Scheme in the year to 31 March 2017 are £14.2m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method; an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The Police Pension Scheme is governed by the Police Pension Regulations 1987 and related regulations. An actuarial valuation is carried out every 4 years, the last being at 31 March 2012. The Group has applied the pension disclosures from Government Actuary's Department (GAD) model in accordance with the requirements of CIPFA's Code of Practice for accounting periods commencing on or after 1 April 2010. The accuracy of the outcome relies on assumptions made in a turbulent economy, and actual results may be materially different.

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

The principal actuarial assumptions used have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2014/15	2015/16	2014/15	2015/16
Long-term expected rate of return on assets in the scheme:				
Equity Investments	3.3%	3.6%	-	-
Bonds	3.3%	3.6%	-	-
Property	3.3%	3.6%	-	-
Cash	3.3%	3.6%	-	-
Rate of inflation	2.5%	2.2%	2.2%	2.2%
Rate of increase in salaries	3.9%	3.7%	4.2%	4.2%
Rate of increase in pensions	2.5%	2.2%	2.2%	2.2%
Rate for discounting scheme liabilities	3.3%	3.6%	3.3%	3.6%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.5 years		23.1 years	
Women	24.6 years		25.1 years	
Longevity at 65 for future pensioners:				
Men	24.5 years		25.1 years	
Women	26.9 years		27.2 years	

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Local Government Pension Scheme		Police 1987 Scheme		Police 2006 Scheme		Police 2015 Scheme	
	Approximate % Increase to Employer Liability	Approximate monetary amount £m	Approximate % Increase to Employer Liability	Approximate monetary amount £m	Approximate % Increase to Employer Liability	Approximate monetary amount £m	Approximate % Increase to Employer Liability	Approximate monetary amount £m
0.5% decrease in Real Discount Rate	13%	40.1	10.9%	135.8	20.7%	16.2	20.3%	3.6
1 year increase in member life expectancy	3%	9	2.4%	12.4	1.8%	1.7	1.8%	0.3
1 year decrease in member retirement age	N/A	N/A	0.4%	5.2	1.2%	1.0	2.3%	0.4
0.5% increase in the Salary Increase Rate	4%	12.8	1.0%	12.4	7.9%	6.2	0.0%	0.0
0.5% increase in the Pension Increase Rate	9%	26.6	8.7%	108.3	9.5%	7.5	20.2%	3.6

Asset and Liability Matching Strategy

The LGPS assets are administered by Surrey County Council through the Surrey Pension Fund. The fund does not have an explicit asset and liability matching strategy as the current funding level necessitates an investment strategy that is expected to provide long term investment returns in excess of the anticipated rise in liabilities. Liabilities are considered when determining the overall investment strategy and the fund holds assets that are highly correlated with the movement in liabilities, including fixed rate and index-linked gilts as well as absolute return investments that seek to generate positive returns regardless of market conditions.

Investment risk is monitored regularly both in absolute terms and relative to the Fund's liabilities, with regular scrutiny by the Surrey Pension Fund Board and its external advisors.

Defined Benefit Obligation

The table below shows the LGPS and Police Pension Scheme pension liability split by member type and the weighted average duration for each category. The weighted average duration is the weighted average time in years until payment of all expected future discounted cashflows, determined based on membership and the financial and demographic assumptions as at the most recent actuarial valuation. The shorter the duration, the more 'mature' the employer.

Between 17 and 23 years is considered 'medium' by the actuary, with anything below and above those durations 'short' and 'long' respectively.

	Local Government Pension Scheme		1987 Scheme		2006 Scheme		2015 Scheme	
	Liability Split	Weighted Average Duration (Years)	Liability Split	Weighted Average Duration (Years)	Liability Split	Weighted Average Duration (Years)	Liability Split	Weighted Average Duration (Years)
Active Members	62.2%	28.5	39.1%		95.7%		100.0%	38.0
Deferred Members	20.9%	28.4	5.2%	Split not available	3.7%	Split not available	0.0%	0.0
Pensioner Members	16.9%	12.2	55.7%		0.6%		0.0%	0.0
TOTAL	100.0%	24.4	100.0%	21.0	100.0%	39.0	100.0%	38.0

Net Defined Benefit Obligation Value shown in Balance Sheet

	LGPS		Police Pension Schemes						Total	
	2014/15	2015/16	1987	2006	1987	2006	2015		2014/15	2015/16
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Present value of the defined benefit obligation	(325.6)	(298.8)	(1,530.8)	(88.4)	(1,312.8)	(78.4)	(17.9)	(1,944.8)	(1,707.9)	
Fair value of plan assets	209.4	221.4	0.0	0.0	0.0	0.0	0.0	209.4	221.4	
Net liability arising from define benefit obligation	(116.2)	(77.4)	(1,530.8)	(88.4)	(1,312.8)	(78.4)	(17.9)	(1,735.4)	(1,486.5)	

The Police Pension Scheme is unfunded, and therefore has no assets to cover its' liabilities.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

FAIR VALUE OF PENSION ASSETS	Asset Distribution 31st March 2015	Asset Distribution 31st March 2015	Asset Distribution 31st March 2016	Asset Distribution 31st March 2016
	£m	%	£m	%
EQUITY SECURITIES				
Consumer	15.7	7%	17.8	8%
Manufacturing	11.3	5%	13.5	6%
Energy and Utilities	6.9	3%	6.2	3%
Financial Institutions	13.4	6%	15.8	7%
Health and Care	7.4	4%	7.8	4%
Information Technology	10.0	5%	12.0	6%
Other	0.0	0%	0.3	0%
DEBT SECURITIES				
Corporate Bonds (Investment Grade)	7.6	4%	9.5	4%
Corporate Bonds (Non Investment Grade)	0.8	0%	0.6	0%
UK Government	4.7	2%	0.0	0%
Other	1.9	1%	0.3	0%
PRIVATE EQUITY	7.9	4%	8.8	4%
REAL ESTATE				
UK Property	13.2	6%	13.4	6%
Overseas Property	0.1	0%	1.7	1%
INVESTMENT FUNDS & UNIT TRUSTS				
Equities	61.0	29%	57.6	26%
Bonds	19.6	9%	23.8	11%
Other	24.2	12%	27.4	12%
DERIVATIVES				
Foreign Exchange	-0.2	0%	-1.3	-1%
CASH & CASH EQUIVALENTS	3.9	2%	6.2	3%
Total	209.4	100%	221.4	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 2016 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.

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 21.3% 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 £15.9m, offset by a transfer from the Income and Expenditure Account, funded by a grant from the Home Office (£13.9m) and an additional contribution by the Group (£2.0m).

SURREY POLICE PENSION FUND ACCOUNT

	2014/2015 £m	2015/2016 £m
Contributions Receivable		
From employer at 21.3%:		
Normal	(16.2)	(14.3)
Early retirements	0.0	0.0
Other	0.0	0.0
From members	(8.7)	(8.8)
Transfers In		
Individual transfers in from other schemes	(0.4)	(0.3)
Other	0.0	0.0
Benefits Payable:		
Pensions	31.9	33.1
Commutations and lump sum retirement benefits	10.1	5.3
Lump sum death benefits	0.1	0.0
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	0.6	0.9
Other	1.2	0.0
Sub-total for the year before transfer from the Group of amount equal to the deficit	18.6	15.9
Additional 2.9% funding payable by local policing body to meet deficit for the year	0.0	(2.0)
Additional funding payable to the Group to fund the deficit for the year	(18.6)	(13.9)
Total	0.0	0.0

NET ASSETS STATEMENT	2014/2015 £m	2015/2016 £m
Net current assets and liabilities		
Contributions due from employer	0.0	0.0
Unpaid pension benefits	5.7	0.0
Amount due to sponsoring department	0.0	0.0
Other current assets and liabilities	(5.7)	0.0
Net assets and liabilities	0.0	0.0

16. External Audit Costs

	As At 31st March 2015 £m	As At 31st March 2016		
		GROUP £m	PCC £m	CC £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.169	0.054	0.039	0.015
Fees payable in respect of statutory inspections	0.000	0.000	0.000	0.000
Total	0.169	0.054	0.039	0.015

17. Related Parties

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

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

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

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

Employer's pension contributions paid by the Group to the Surrey County Council Pension Fund totalled £11.2m during 2015/16 (£12.3m in 2014/15).

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.

18. Contingent Liabilities

At 31st March 2016 the Chief Constable has two contingent liabilities:

Police officer compulsory retirements A19 Rule

Section A19 of the Police Pension Regulations 1987 allows police forces to require a police officer to retire once he or she reaches 30 years' service. Police forces' adoption of the A19 rule increased as budgets were substantially cut and forces had to find new ways to cut their expenditure.

The Group had officers who were retired under A19 during 2011 and 2012 which may give rise to a potential liability.

An Employment Appeal Tribunal (EAT) was heard in March 2015 which upheld a police officers' age discrimination claim. However this decision was overturned in July 2015 when police officers' lost their claim for age discrimination at an appeal tribunal. In August 2015 an appeal was lodged against the employment Appeal Tribunal and at the date

of publication of the statement of accounts permission for the case to go to the court of appeal was being sought. The Group considers any future liability to be unlikely, however the issue remains a contingent liability until a final ruling is made.

Transitional Provisions in the Police Pension Regulations 2015

The Chief Constable of Surrey Police, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

19. Contingent Assets

The Group has no contingent assets to disclose at 31st March 2016.

ACCOUNTING POLICIES

1. General Principles

The Accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the U.K. 2015/16, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Service Reporting Code of Practice for Local Authorities 2015/16 (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 2015/16.

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 2016.

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

2. Fundamental Accounting Policies

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

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

The following sections set out the Chief Constable's general accounting policies, which have been followed in 2015/2016.

3. Income and Expenditure

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

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

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

4. Overheads and Support Services

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

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

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

5. Employee Benefits Payable During Employment

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

6. Termination Benefits / Exit Packages

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

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

7. Long-term employee benefits - Pension arrangements

Surrey Police pension schemes are accounted for under the International Financial Reporting Standard IAS 19 where any obligation arising from other long-term employee benefits that depend on length of service, need to be recognised when service is rendered. As injury awards under the Police schemes are dependent on service, the liability expected to arise due to injury awards is valued annually.

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

In the single entity accounts the cost of pensions are charged to the Chief Constable Accounts rather than the PCC Accounts. This decision has been made as the Chief Constable holds the Contract of Employment for over 99% of police employees, controls terms of employment and makes decision on the overall staffing structures. These costs are included in the Group Account on consolidation.

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

Police Officers Pension Schemes

This scheme is un-funded and the employer's contribution is charged to the Comprehensive Income and Expenditure Statement. The fund is divided into Police Pension Scheme 1987, Police Injury Benefits Scheme, New Police Pension Scheme 2006 and Police Pension Scheme 2015, collectively known as 'The Scheme'.

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

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

Local Government Pension Scheme (LGPS)

Police staff employees, subject to certain qualifying criteria, are eligible to join the LGPS. The pension costs that are charged to the Group's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees and the net current service cost.

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

The pension costs included in the Notes to the Financial Statements in respect of these schemes have been determined in accordance with relevant government regulations and the 2015/16 CIPFA Code.

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

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

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

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

8. VAT

The Chief Constable and PCC are registered as a Group for VAT purposes submitting a single VAT return on behalf of the Group. Expenditure in the Chief Constable's Comprehensive Income & Expenditure Statement excludes any amounts relating to VAT as all VAT is remitted to/from the HM Revenue and Customs.

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

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

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

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

10. Accounting Standards issued but not yet adopted

The Group is required to disclose information relating to the impact of an accounting change required by a new standard that has been issued, but not yet adopted in the 2015/16 Code, these are:

- Amendment to IFRS 11: Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 1: Presentation of Financial statements (Disclosure Initiative)
- Amendment to IAS 19: Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IAS 24: Related Party Disclosures (Key management personnel)
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Pension Fund Account and the introduction of the new expenditure and funding Analysis.

It is not anticipated that any of the above issues will have a material impact on the statement of accounts for the Chief Constable.

Although there is unlikely to be a change to the reported information in the cost of services or the Surplus/Deficit on the Provision of Services for 2015/16, in the 2016/17 year comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the changes.

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

DEFINED CONTRIBUTION SCHEME

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

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 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.