

# **Surrey Police and Crime Commissioner**

## **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 Police and Crime Commissioner (PCC) for Surrey and the PCC Group. This narrative report explains the purpose of the Financial Statements and a summary of the financial activities during 2015/16 and its financial position as at 31<sup>st</sup> March 2016.

The PCC for Surrey is an elected official under The Police Reform and Social Responsibility Act 2011. The PCC is responsible for delivering an effective and efficient police service in Surrey, to oversee the work of Surrey Police, and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996.

The PCC for Surrey and the Chief Constable of Surrey are separate legal entities or 'corporation sole' bodies. Both have an individual statutory responsibility to prepare its own accounts to present fairly its operations for the financial year. The Chief Constable is a 100% subsidiary of the PCC for Surrey. The PCC and the PCC Group refers to the consolidated position for both the PCC for Surrey and the Chief Constable of Surrey.

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 the majority of the Balance Sheet transactions.

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

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

All the financial transactions incurred during 2015/16 for policing Surrey have been recognised and recorded within this Statement of Accounts, which sets out the overall position of the PCC and the PCC Group for the year ending 31 March 2016. Where the Group position differs from the PCC position this is made clear in the statements and notes. Separate statutory accounts are prepared for the Chief Constable, for completeness the Chief Constable's Comprehensive Income and Expenditure Account and Balance Sheet are shown along-side the PCC and the PCC Group position in this Statement of Accounts.

The 2015/16 Financial Statements which follow this narrative report, have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 based on International Financial Reporting Standards issued by 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 by the PCC and PCC Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce council tax) and other reserves.
- **Comprehensive Income and Expenditure Statement.** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from council tax. The PCC raises council tax to cover expenditure in accordance with regulations which differs from the accounting cost. Expenditure in accordance with regulation is shown in the Movement in Reserves Statement.
- **Balance Sheet.** This statement shows the value as at the 31st March 2016 of the assets and liabilities recognised by the PCC and PCC Group. The net assets (assets less liabilities) are matched by either usable or unusable reserves.
- **Cash Flow Statement.** This statement shows the changes in cash and cash equivalents of the PCC and PCC Group during the reporting period. The statement shows how the PCC and PCC Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

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

### 3. Police & Crime Commissioner Financial Arrangements

#### Method of Funding

Funding arrangements for Police and Crime Commissioners broadly follow the arrangements for local authorities. The PCC and PCC Group gross revenue budget (or operating budget) for 2015/16, was set at £205.7m (2014/15, £207.3m). A summary of the funding sources is shown below:

	2014/15	2015/16
Home Office Police Grants	66.6	62.5
Non Domestic Rates	30.3	29.4
Council Tax Freeze Grant	2.5	2.5
<b>Total Central Support</b>	<b>99.4</b>	<b>94.4</b>
Gross Council Tax Requirement	101.1	105.7
Council Tax Localisation Grant	6.7	6.7
Victim Services Grant *	0.4	0.0
Earmarked Reserves	1.0	0.7
General Reserves	(1.3)	(1.8)
<b>Total Funding</b>	<b>207.3</b>	<b>205.7</b>

\*2015/16 Victim Services Grant was included in the budget as income credited to Policing Services rather than Grant Funding

All of the above is set centrally by Government, apart from the council tax requirement and use of general reserves which are set locally by the PCC prior to the start of the financial year.

In addition to the principal grants received from the Home Office, there is a range of specific grants that are targeted towards initiatives to improve the police service. Details of these grants are available in the notes to the Financial Statements.

End of year variations to the £205.7m budget (2014/15, £207.3m) are transferred to/from the PCC and PCC Group balances.

Capital expenditure is financed from government grants, contributions from third parties, capital receipts, borrowing and direct funding from the operating (revenue) budget. The detail of the financing employed in 2015/16 is shown in the Capital Expenditure and Capital Financing table. The balances held for future capital expenditure are shown in the Balance Sheet and notes to the Core Financial Statements.

#### The Role of the Police and Crime Commissioner

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

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

## Role of the Chief Finance Officer

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

## 4. Operating (Revenue) Expenditure

The PCC budgeted to spend £205.7m in 2015/2016 which included using £0.7m from reserves. Expenditure of £205.5m was actually incurred resulting in an additional £0.2m increase in reserves as shown in the following table.

	£m
Gross Budget	205.7
Out-turn Expenditure	205.5
Gross Variation	0.2
To/(from) Reserves	0.2

Further information on the reserves movements for the year is shown in the Movement in Reserves Statement.

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

	2015/16		
	Budget	Actual	Variance
	£ m	£ m	£ m
<b>PCC</b>	<b>2.1</b>	<b>2.0</b>	<b>(0.1)</b>
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
<b>Chief Constable's Expenditure</b>	<b>203.6</b>	<b>203.5</b>	<b>(0.1)</b>
<b>Group Total</b>	<b>205.7</b>	<b>205.5</b>	<b>(0.2)</b>

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.

	2015/2016		
	Group	PCC	CC
	Net Expenditure £m	Net Expenditure £m	Net Expenditure £m
<b>Cost Of Services</b>	<b>230.8</b>	<b>(7.6)</b>	<b>238.3</b>
<b>Other Operating Expenditure</b>			
Levies	0.7	0.0	0.7
Intra-group funding	0.0	240.5	(240.5)
(Gain) or Loss on the disposal of non-current assets	(1.5)	(1.5)	0.0
Home Office grant payable to the cost of retirement benefits	(13.9)	(13.9)	0.0
<b>Financing and Investment Income and Expenditure</b>			
Interest and Investment Income	(0.2)	(0.2)	0.0
Pension Interest Cost	57.2	0.0	57.2
<b>Taxation and Non-Specific Grant Income</b>	<b>(207.6)</b>	<b>(207.6)</b>	<b>0.0</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>65.5</b>	<b>9.8</b>	<b>55.7</b>

The table below reconciles Group 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		
	Group £m	PCC £m	CC £m
<b>Operational Delivery Net Expenditure per revenue outturn management report 2015/16</b>	<b>205.5</b>	<b>2.0</b>	<b>203.5</b>
<b>Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:</b>			
Earmarked Reserves	3.2		3.2
Use of General Reserves	2.7		2.7
Financial year end accounting adjustments	(1.0)		(1.0)
<b>Amounts in the CIES not in the outturn report:</b>			
Depreciation & amortisation	8.0		8.0
Pensions	12.4		12.4
<b>Net Cost of Services</b>	<b>230.8</b>	<b>2.0</b>	<b>228.8</b>
<b>Intra-group Adjustment from PCC to CC for resources consumed at the request of the Chief Constable</b>		<b>240.5</b>	<b>(240.5)</b>
Pension Interest costs and expected return on pension assets	57.2		57.2
Gain on disposal of non current assets	(1.5)	(1.5)	
Levies	0.7		0.7
Financing & investment income	(221.7)	(231.2)	9.5
<b>(Surplus) or deficit on the provision of services</b>	<b>65.5</b>	<b>9.8</b>	<b>55.7</b>

## 5. Capital Expenditure

The approved capital budget totalled £10m for 2015/16 (£7.8m in 2014/15) which, combined with prior year budget approvals brought forward on incomplete schemes, increased the budget to £12.7m (£10.1m in 2014/15). The Finance Planning and Performance Board monitors capital budget/expenditure as capital schemes by their nature often span a number of financial years. In 2015/16 actual expenditure of £6.8m (£5.7m in 2014/15) was incurred, which was funded by capital grants, capital receipts, revenue, and third party contributions. The under spend on specific projects only is to be carried forward to 2016/17. The major schemes that continue into 2016/17 include:



- IT Infrastructure projects – ERP, Public Facing Digital Services, New desktops & monitoring applications

There are seven IT Infrastructure projects in collaboration with Sussex Police and ERP is a 3-way collaboration including Surrey, Sussex and Thames Valley.

Details of actual expenditure and financing for the year are shown in the Capital Account.

## 6. Employee Pension Schemes

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

The value of the police staff pension scheme is assessed triennially and the employer's contribution is 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. During 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.

## 7. Overall Financial Position

The level of available revenue balances, earmarked reserves and general reserves held by the PCC has decreased by £4.6m from £23.2m to £18.6m. The balance of £18.6m represents 9.0% of the 2015/16 annual budget. General Reserves are £11.5m, 6.0% of the annual budget for 2015/16 with earmarked reserves at £7.1m.

General reserves increased as follows:

	£m
<b>Opening Balance</b>	<b>12.9</b>
Operational underspend	0.2
Budgeted increase to Reserves	2.2
Local Government Pension Scheme	(3.5)
Net change to Earmarked Reserves	(3.5)
<b>Decrease in Reserves before transfers to Earmarked Reserves</b>	<b>(4.6)</b>
Transfer (to) from Earmarked Reserves	3.2
<b>Closing Balance</b>	<b>11.5</b>

The earmarked reserves are held as follows: At 31st March 2016 £2.4m was held against the PCC and PCC Group's estimate of existing insurance liabilities under the current self-funded arrangements, £2.3m in Ill health reserves, £0.5m in an Estates Maintenance reserve, £0.8m in a Training reserve, £0.5m for Operation Heather and a £0.6m operational reserve for the Chief Constable.

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

## 8. Financial Outlook

The Medium Term Financial Plan (MTFP) continues to reflect the decreasing level of funding from central Government, which is reduced by 0.5% in 2016/17. These reductions are mitigated by the Force's efficiency-driven strategic change programmes and the use of reserves. A reserves plan is in place to use reserves over the next four years to allow for investment and to reduce the need to make cuts. Investments include areas such as Public Protection, Firearms Capability, Digital Enablement and Local Policing. The PCC set the revenue budget for 2016/17 at £212.2m, which required a 1.99% increase in council tax.

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. There could be an impact on property valuations if confidence in the wider UK property market falls; and the valuation of Surrey Police officer and staff defined benefit pension obligations may also be affected in the future.

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.

Surrey Police collaborates across a number of functions with Sussex Police. This includes a number of specialist policing functions which are carried out jointly between Surrey and Sussex, such as firearms, dogs section, major crime (murder investigation etc.), forensics and surveillance.

Work is also progressing to develop joint Support Service functions across both Surrey and Sussex where a Joint Procurement, 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 can be found in the Surrey Police and Crime Commissioner's Precept Setting proposal. Whilst the annual budget is agreed by the PCC it is scrutinised by the Police and Crime Panel before a final decision is made. Copies of the documents can be obtained from the Office of the Police and Crime Commissioner for Surrey by telephoning: 01483 630200, or from the website at [www.surrey-pcc.gov.uk](http://www.surrey-pcc.gov.uk)



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

**Date:** 27th September 2016

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

We have audited the financial statements of the Police and Crime Commissioner for Surrey (the "Police and Crime Commissioner") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Police and Crime Commissioner Movement in Reserves Statements, the Group and Police and Crime Commissioner Comprehensive Income and Expenditure Accounts, the Group and Police and Crime Commissioner Balance Sheets, the Group and Police and Crime Commissioner Cash Flow Statements 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 Police and Crime Commissioner, 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 Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner 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 Police and Crime Commissioner, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of Responsibilities, the Treasurer 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 Police and Crime Commissioner and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, 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 Police and Crime Commissioner and Group as at 31 March 2016 and of the Police and Crime Commissioner's and Group's 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 Police and Crime Commissioner 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 Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Police and Crime Commissioner and auditor**

The Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of the Police and Crime Commissioner'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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner* 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 Police and Crime Commissioner 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  
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NW1 2EP

29 September 2016

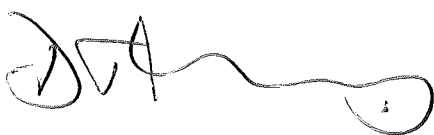
## STATEMENT OF RESPONSIBILITIES

### The Responsibilities of the Police and Crime Commissioner for Surrey

The Police and Crime Commissioner is required:

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

I approve these audited Statement of Accounts.



**David Munro**  
Police and Crime Commissioner for Surrey

Date: 27th September 2016

### The Responsibilities of the Treasurer

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

In preparing this Statement of Accounts, the Treasurer has:

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

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



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

Date: 27th September 2016

## SURREY POLICE AND CRIME COMMISSIONER ANNUAL GOVERNANCE STATEMENT 2015-16

All Police & Crime Commissioners (PCCs) are required by the Accounts and Audit (England) Regulations 2011 to produce an annual governance statement which must accompany the statement of accounts. This requirement is reflected in The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (Chartered Institute of Public Finance & Accountancy, CIPFA).

### Scope of Responsibility

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

To secure the maintenance of an efficient and effective police force for the area  
To hold the Chief Constable to account for the exercise of his or her functions  
Wider powers in relation to working with and bringing together community safety and criminal justice partners

The Chief Constable retains operational control of the Force in governance arrangements, which must not be fettered by the PCC.

During 2015/16, the PCC, Kevin Hurley, was supported by a Deputy PCC and a small team of staff who form the Office of the Surrey Police & Crime Commissioner (OPCC). The team structure is set out on the PCC's website. The OPCC is responsible for ensuring that the PCC's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Surrey OPCC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and for the management of risk.

### The Governance Framework: Scheme of Corporate Governance

Surrey OPCC has approved and adopted a Scheme of Corporate Governance which is consistent with the principles of the CIPFA/Society of Local Authority Chief Executives (SOLACE) Framework, 'Delivering Good Governance in Local Government'. The Scheme shows how the OPCC complies with the principles of 'good governance' as defined by CIPFA and sets out the arrangements in place for effective governance and financial management. It comprises a number of elements, including:

Code of Corporate Governance: how the PCC and Chief Constable achieve the core principles of 'good governance'  
Framework of Decision-Making and Accountability: how the PCC makes/publishes key decisions and holds the Chief Constable to account

Scheme of Delegation: key roles of the PCC and those functions delegated to others

Memorandum of Understanding: setting out the cooperative arrangements between the PCC and Chief Constable for the provision of business support and administration.

Financial Regulations: the framework for managing the PCC's financial affairs

Contract Standing Orders: rules for the procurement of goods, works and services

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

A copy of the Scheme and its component parts is available on the PCC's website or can be obtained from the Office of the Police & Crime Commissioner, Mount Browne HQ, Guildford GU3 1HR. This Annual Governance Statement explains how Surrey OPCC has complied with the Scheme during the year 2015/16.

The various elements of the Scheme of Corporate Governance set out the systems and processes, culture and values by which Surrey OPCC is directed and controlled and the activities it undertakes to engage with and be accountable to local communities. It enables the OPCC to monitor the achievement of the PCC's strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The systems of internal control are a significant part of the Scheme and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The PCC has on-going processes designed to

identify and prioritise risks to the achievement of the OPCC's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Scheme of Corporate Governance has been in place at Surrey OPCC for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts. These documents were last approved in June 2015 and are currently in process of being reviewed.

### **Setting the Strategic Direction for Surrey Police**

It is the role of the PCC to set the strategic direction for Surrey Police and this is articulated in the PCC's Police & Crime Plan. The Plan is a key public document that describes how Surrey Police will focus the delivery of policing. The Plan in place for 2015/16 did not contain any targets as the PCC was of the view that targets can skew police activity away from doing the right thing for the public. The Plan did, however, highlight areas of priority as identified by the public and partners and provides a basis for how the PCC holds the Chief Constable to account for Force performance and where the PCC would expect financial resources to be prioritised. The Plan also directs the work of the OPCC, which has its own business plan.

### **Process for setting objectives and targets that support the Policing Priorities outlined in the Police & Crime Plan and reporting to the PCC**

The Police & Crime Plan for 2015/16 was based on the six 'priorities' identified by the Surrey PCC, Kevin Hurley, through studying local and national surveys, through first-hand experience of working in the police service and by talking to many people about their experiences of policing and community safety. The six priorities that formed the basis of the Police & Crime Plan are:

- *Take a zero tolerance policing approach*
- *More visible street policing*
- *Put victims at the heart of the criminal justice system*
- *Give people a greater say on how their streets are policed*
- *Protect local policing*
- *Be uncompromising in the standards expected from the police*

The full Plan for the 2015/16 period is available from the Office of the PCC.

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

The Plan also takes account of the professional views of the Chief Constable, the nationally-set Strategic Policing Requirement and the priorities of partners as set out in the Surrey Strategic Assessment.

The Plan has been subject to scrutiny and approval by the Police & Crime Panel. It also has the support of the Chief Constable whose role is to deliver the operational policing elements of the Plan.

### **Holding the Chief Constable to account and monitoring performance**

Holding the Chief Constable to account is one of the PCC's key statutory responsibilities in order that he, and indeed the wider public, can see how Surrey Police is progressing against the Police & Crime Plan. The PCC must also ensure there is proper oversight, scrutiny and accountability and that Surrey Police's work is conducted ethically, effectively and efficiently. The PCC recognised that his oversight of the Force must not undermine the operational independence of the Chief Constable or their ability to direct and control the Force.

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

The OPCC has developed a work programme of issues that have been discussed at management meetings to ensure that the PCC is discharging his oversight responsibilities. The Chief Constable is asked to update on issues such as reducing anti-social behaviour, crime rates, seizure of assets, complaints, how victims are being treated, public engagement opportunities and professional standards. These meetings also allow the PCC to examine financial information, including progress against the revenue and capital budgets, the Medium Term Financial Plan



and savings targets. In addition, the PCC holds a series of scrutiny meetings that allow him to focus on particular areas of business that may require more detailed attention.

The PCC also keeps track of performance and people's views through regular public meetings and has established a series of public Crime Summits, in partnership with local authorities and other partners. A summit has been held in every Surrey borough and district and they have a significant 'virtual' following on Twitter. These allow local people to feed in their views on policing and community safety.

In addition, staff of the OPCC attend regular Surrey Police performance meetings. Those responsible for service delivery are challenged where necessary.

## **Scrutiny and Support for the PCC**

### **The Office of the Police & Crime Commissioner**

The PCC has been supported by a small team of staff who support him in his role. This team helps the PCC deliver their statutory responsibilities and run an effective office. It supports the PCC's governance arrangements, provides independent policy advice, runs a custody visiting scheme, liaises with partners, commissions services for victims, arranges consultation, deals with quasi-judicial functions, administers grants, commissions community safety services, handles complaints, correspondence and media.

The structure and work of the team is kept under review by the Chief Executive. Every member of staff has a job description and is set clear objectives (which relate to the PCC's business plan), which are reviewed regularly. Staff are offered training and development where appropriate. The Police and Crime Panel also monitor the performance of the PCC and his Deputy.

In addition to job descriptions, a clear scheme of delegation/consent is in place to describe who makes decisions and to set out lines of accountability. The office is also structured so that relevant OPCC policy officers are consulted and involved in key decision-making and are able to advise the PCC on their particular areas of expertise in advance of decisions being made. Advice on financial matters is given to the PCC by his Chief Financial Officer.

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

The Police and Crime Panel exists to scrutinise the PCC (not the Chief Constable), to promote openness in the transaction of PCC business and also to support the PCC in the effective exercise of his functions. It comprises elected members from each of the 12 local authorities in Surrey plus two independent representatives. The Panel has a number of key statutory roles including reviewing the draft Police & Crime Plan and Annual Report, holding confirmation hearings for senior appointments and overseeing complaints about the conduct of the PCC. It also has a power of veto over the PCC's proposed council tax precept and Chief Constable appointments.

In Surrey, the PCC, his Deputy and senior staff have attended every meeting of the Police & Crime Panel. Protocols have been established to ensure the effective transaction of business such as handling of complaints and information sharing. Meetings are webcast.

### **The Joint Audit Committee**

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

### **Internal Audit**

Internal audit has been provided to the PCC by Baker Tilly/RSM as part of a Surrey District Council Internal Audit Consortium. Our internal auditors act in accordance with the CIPFA Code of Practice for Internal Audit and the Internal Standards published by the Global Institute of Internal Auditors.

The Internal Auditors have worked in line with an Audit Strategy approved by the Joint Audit Committee. The CIPFA code requires Internal Audit to provide an opinion on the overall adequacy and effectiveness of the governance framework. The Audit Opinion for 2015/16 is set out below.

### **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 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.

#### **Risk management processes by which the PCC identifies and seeks to mitigate key risks**

The OPCC maintains its own Risk Register and Assurance Framework which are regularly reviewed by both the OPCC's staff and by the Joint Audit Committee. The Joint Audit Committee also has oversight of the PCCs and Force's high level and shared risks.

The joint OPCC and Force Risk Management Strategy has been developed and implemented to collate all internal and external organisational risk intelligence, to evaluate risk using a standard corporate methodology and to develop appropriate control strategies along with on-going monitoring of progress and impact.

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

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

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

The statutory Policing Protocol provides that the PCC will abide by the seven principles set out in the Standards in Public Life, known as the Nolan Principles. There is no requirement for the PCC or his Deputy to sign up to a Code of Conduct. However, in order to demonstrate their commitment to good governance, both signed up to a voluntary code which outlines their responsibilities. The Code has been published on the PCC's website.

The Police & Crime Panel has a role in handling any complaints about the conduct of the PCC or Deputy PCC. A protocol for handling any incoming complaints has been established between the OPCC and the Panel.

The OPCC's policy in relation to the disclosure of interests and register of gifts and hospitality is set out in Contract Standing Orders. Details of all interests and gifts received by the PCC, his Deputy and senior staff are published on the PCC's website. The PCC also retains oversight of arrangements in place for the Chief Constable. The Joint

Audit Committee has a role to review compliance with the policies and procedures governing declarations of interest and the receipt of gifts and hospitality.

The PCC is bound by the Elected Local Policing Bodies (Specified Information) Order 2011 which sets out information that every PCC must publish. The OPCC will ensure compliance with this order.

The OPCC and Force also have in place arrangements for the reporting of all financial irregularities. Utilising existing arrangements for confidential reporting of unacceptable behaviour, it also incorporates procedures to ensure all reports are conveyed to senior Force managers and then to the Section 151 Officer (the PCC's Chief Financial Officer), in line with Financial Regulations. The Audit Committee has a role in overseeing the policies for anti-fraud, anti-corruption and whistle blowing.

The PCC set a priority for uncompromising standards for Surrey Police. He has looked to the Chief Constable and other leaders to ensure that officers are inspired to deliver a professional, courteous and positive approach to policing with high standards of delivery of service, ethics, integrity, dress and appearance.

#### **Processes for receiving and investigating complaints from the public and oversight of Force complaints**

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

The OPCC has a complaints policy that sets out the way it will deal with complaints received. The OPCC also regularly reviews complaints trends in Surrey Police.

The Police & Crime Panel has responsibility for handling all non-criminal complaints about the PCC and his Deputy, including conduct matters and any criminal complaints or conduct matters that are referred back to the Panel by the IPCC. A protocol for the handling of such complaints is in place.

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

Being visible and accessible is a key requirement of a PCC and in Surrey, the PCC made a commitment to give local people a greater say in how the streets are policed. The PCC held a series of 'crime summits' in each borough and district in partnership with local authorities. The PCC and Deputy PCC also attended a large number and variety of public events, resident meetings, groups and partnership meetings.

The PCC and his office also make best use of social media including an active Twitter and Facebook following as a means to engage with people in Surrey who prefer social media to attending meetings. Additionally, the PCC and his office maintain a YouTube account where monthly video updates are posted to further inform the public about the work that the PCC and the office undertake on a regular basis. This is in addition to more traditional communication methods that are available including telephone, email and written communication. Details of how to contact the PCC are set out on his website.

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

The PCC committed to working with partners in Surrey to understand and respond to the community safety needs of Surrey residents. He has worked with a wide range of partners to develop strategic priorities that are right for the County and by chairing the Surrey Community Safety Board he has been able to drive partnership working. The PCC and his Deputy have worked with Community Safety Partnerships as well as working groups such as the anti-social behaviour strategy group, Drive Smart Board and the Health and Wellbeing Board.

The PCC has maintained a Community Safety Fund of £700k to fund partnership projects such as joint enforcement teams, cyber-enabled crime prevention, tackling drug use by young people and raising awareness of hidden crimes that take place in communities. Small but significant grants helped to support local initiatives and keep communities safe.

The PCC has also worked with organisations, either other public sector bodies; voluntary groups or charity organisations that support victims to cope and recover from crime. With the Assistant PCC for Victims it has been his aim to listen to victims and ensure their voices are heard when commissioning services.

The Office of the PCC has entered into a contract alongside Thames Valley and Sussex PCCs to provide services to victims and witnesses of crime to enable them to cope and recover. This service is provided by Victim Support and comprehensive arrangements are in place with partners to oversee this contract, including the appointment of a shared Contract Manager.

#### **Review of effectiveness**

The OPCC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the PCC and senior officers who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The Joint Audit Committee reviews the effectiveness of the governance framework to ensure that arrangements continue to be regarded as fit for purpose.

#### **Significant governance issues 2015/16**

There are none to report. Recommendations arising through internal or external auditors are monitored at the Joint Audit Committee and through internal mechanisms by the Office of the Police & Crime Commissioner.



David Munro  
Police & Crime Commissioner for Surrey

Date: 27th September 2016



Ian Perkin  
Treasurer of the Police and Crime Commissioner

Date: 27th September 2016

## 2015/2016 FINANCIAL STATEMENTS

### Movement in Reserves Statement for the Police and Crime Commissioner for Surrey Group

	General Fund Balance £m	Earmarked Reserves £m	Capital Grants Unapplied £m	Capital Receipts Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
<b>Balance at 1 April 2014</b>	11.1	8.3	0.2	10.8	30.4	(1,398.8)	(1,368.4)
Surplus or (deficit) on provision of services	(67.6)	0.0	0.0	0.0	(67.6)	0.0	(67.6)
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	0.0	(181.1)	(181.1)
<b>Total Comprehensive Income and Expenditure</b>	<b>(67.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(67.6)</b>	<b>(181.1)</b>	<b>(248.7)</b>
Adjustments between accounting basis & funding basis under regulations	71.4	0.0	0.4	1.2	73.0	(72.8)	0.2
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>3.8</b>	<b>0.0</b>	<b>0.4</b>	<b>1.2</b>	<b>5.4</b>	<b>(253.9)</b>	<b>(248.5)</b>
Transfers to / from Earmarked Reserves	(2.0)	2.0	0.0	0.0	0.0	0.0	0.0
<b>Increase / Decrease in Year</b>	<b>1.8</b>	<b>2.0</b>	<b>0.4</b>	<b>1.2</b>	<b>5.4</b>	<b>(253.9)</b>	<b>(248.5)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>12.9</b>	<b>10.3</b>	<b>0.6</b>	<b>12.0</b>	<b>35.8</b>	<b>(1,652.7)</b>	<b>(1,616.9)</b>
Surplus or (deficit) on provision of services	(65.5)	0.0	0.0	0.0	(65.5)	0.0	(65.5)
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	311.8	311.8
<b>Total Comprehensive Expenditure and Income</b>	<b>(65.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(65.5)</b>	<b>311.8</b>	<b>246.3</b>
Adjustments between accounting basis & funding basis under regulations	60.9	0.0	0.3	0.2	61.4	(61.3)	0.1
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(4.6)</b>	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>	<b>(4.1)</b>	<b>250.5</b>	<b>246.4</b>
Transfers to / from Earmarked Reserves	3.2	(3.2)	0.0	0.0	0.0	0.0	0.0
<b>Increase / Decrease in Year</b>	<b>(1.4)</b>	<b>(3.2)</b>	<b>0.3</b>	<b>0.2</b>	<b>(4.1)</b>	<b>250.5</b>	<b>246.4</b>
<b>Balance at 31 March 2016</b>	<b>11.5</b>	<b>7.1</b>	<b>0.9</b>	<b>12.2</b>	<b>31.7</b>	<b>(1,402.2)</b>	<b>(1,370.5)</b>

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

	General Fund Balance £m	Earmarked Reserves £m	Capital Grants Unapplied £m	Capital Receipts Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
<b>Balance at 1 April 2014</b>	11.1	8.3	0.2	10.8	30.4	89.0	119.4
Surplus or (deficit) on provision of services	(0.6)	0.0	0.0	0.0	(0.6)	0.0	(0.6)
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Comprehensive Income and Expenditure</b>	<b>(0.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.6)</b>	<b>0.0</b>	<b>(0.6)</b>
Adjustments between accounting basis & funding basis under regulations	4.4	0.0	0.4	1.2	6.0	(5.8)	0.2
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>3.8</b>	<b>0.0</b>	<b>0.4</b>	<b>1.2</b>	<b>5.4</b>	<b>(5.8)</b>	<b>(0.4)</b>
Transfers to / from Earmarked Reserves	(2.0)	2.0	0.0	0.0	0.0	0.0	0.0
<b>Increase / Decrease in Year</b>	<b>1.8</b>	<b>2.0</b>	<b>0.4</b>	<b>1.2</b>	<b>5.4</b>	<b>(5.8)</b>	<b>(0.4)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>12.9</b>	<b>10.3</b>	<b>0.6</b>	<b>12.0</b>	<b>35.8</b>	<b>83.2</b>	<b>119.0</b>
Surplus or (deficit) on provision of services	(9.8)	0.0	0.0	0.0	(9.8)	0.0	(9.8)
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	7.2	7.2
<b>Total Comprehensive Expenditure and Income</b>	<b>(9.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(9.8)</b>	<b>7.2</b>	<b>(2.6)</b>
Adjustments between accounting basis & funding basis under regulations	5.2	0.0	0.3	0.2	5.7	(5.6)	0.1
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(4.6)</b>	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>	<b>(4.1)</b>	<b>1.6</b>	<b>(2.5)</b>
Transfers to / from Earmarked Reserves	3.2	(3.2)	0.0	0.0	0.0	0.0	0.0
<b>Increase / Decrease in Year</b>	<b>(1.4)</b>	<b>(3.2)</b>	<b>0.3</b>	<b>0.2</b>	<b>(4.1)</b>	<b>1.6</b>	<b>(2.5)</b>
<b>Balance at 31 March 2016</b>	<b>11.5</b>	<b>7.1</b>	<b>0.9</b>	<b>12.2</b>	<b>31.7</b>	<b>84.8</b>	<b>116.5</b>

Comprehensive Income & Expenditure Statement for the 12 months ending 31 March 2016									
31 March 2015					31 March 2016				
Group			PCC	CC	Group			PCC	CC
Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
79.4	(1.7)	77.7	(1.7)	79.4	83.0	(2.0)	81.0	(2.0)	83.0
23.1	(0.8)	22.3	(0.8)	23.1	26.1	(0.4)	25.7	(0.4)	26.1
19.6	(1.2)	18.4	(1.2)	19.6	20.1	(1.0)	19.1	(1.0)	20.1
12.0	(1.9)	10.1	(1.9)	12.0	9.9	(0.3)	9.6	(0.3)	9.9
10.5	(0.6)	9.9	(0.6)	10.5	11.0	(1.1)	9.9	(1.1)	11.0
11.8	(0.2)	11.6	(0.2)	11.8	10.0	(0.3)	9.7	(0.3)	10.0
63.2	(1.3)	61.9	(1.3)	63.2	64.6	(1.4)	63.2	(1.4)	64.6
7.1	(0.1)	7.0	(0.1)	7.1	7.5	0.0	7.5	0.0	7.5
5.3	(2.7)	2.6	(2.7)	5.3	4.9	(3.0)	1.9	(3.0)	4.9
0.7	0.0	0.7	0.0	0.7	0.4	0.0	0.4	0.0	0.4
3.6	(0.6)	3.0	2.3	0.7	4.1	(1.3)	2.8	2.0	0.8
<b>236.3</b>	<b>(11.1)</b>	<b>225.2</b>	<b>(8.2)</b>	<b>233.4</b>	<b>241.6</b>	<b>(10.8)</b>	<b>230.8</b>	<b>(7.5)</b>	<b>238.3</b>
0.7	0.0	0.7	0.0	0.7	0.7	0.0	0.7	0.0	0.7
5.7	0.0	5.7	0.0	5.7	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	238.2	(238.2)	0.0	0.0	0.0	240.5	(240.5)
0.0	(0.2)	(0.2)	(0.2)	1.6	0.0	(1.5)	(1.5)	(1.5)	(1.5)
0.0	(18.6)	(18.6)	(18.6)		0.0	(13.9)	(13.9)	(13.9)	
0.0	(0.1)	(0.1)	(0.1)	65.4	0.0	(0.2)	(0.2)	(0.2)	57.2
73.1	(7.7)	65.4	0.0		64.3	(7.1)	57.2		
0.0	(2.0)	(2.0)	(2.0)		0.0	(1.2)	(1.2)	(1.2)	
0.0	(2.5)	(2.5)	(2.5)		0.0	(2.5)	(2.5)	(2.5)	
0.0	(0.4)	(0.4)	(0.4)		0.0	0.0	0.0	0.0	
0.0	(6.8)	(6.8)	(6.8)		0.0	(6.8)	(6.8)	(6.8)	
0.0	(102.0)	(102.0)	(102.0)		0.0	(105.2)	(105.2)	(105.2)	
0.0	(30.2)	(30.2)	(30.2)		0.0	(29.4)	(29.4)	(29.4)	
0.0	(66.6)	(66.6)	(66.6)		0.0	(62.5)	(62.5)	(62.5)	
<b>315.8</b>	<b>(248.2)</b>	<b>67.6</b>	<b>0.6</b>	<b>67.0</b>	<b>306.6</b>	<b>(241.1)</b>	<b>65.5</b>	<b>9.8</b>	<b>55.7</b>
0.0	0.0	0.0	0.0	0.0	0.0	(7.2)	(7.2)	(7.2)	0.0
0.0	181.1	181.1	0.0	181.1	0.0	(304.6)	(304.6)	0.0	(304.6)
0.0	181.1	181.1	0.0	181.1	0.0	(311.8)	(311.8)	(7.2)	(304.6)
<b>315.8</b>	<b>(67.1)</b>	<b>248.7</b>	<b>0.6</b>	<b>248.1</b>	<b>306.6</b>	<b>(552.9)</b>	<b>(246.3)</b>	<b>2.6</b>	<b>(248.9)</b>

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

31 March 2015				Notes	31 March 2016		
Group £m	PCC £m	CC £m			Group £m	PCC £m	CC £m
			<b>Long Term Assets</b>				
84.9	84.9	0.0	Property, Plant & Equipment	9	85.4	85.4	0.0
3.3	3.3	0.0	Intangible Assets	10	2.6	2.6	0.0
1.2	1.2	0.0	Long Term Debtors	11	1.0	1.0	0.0
<b>89.4</b>	<b>89.4</b>	<b>0.0</b>	<b>Total Long Term Assets</b>		<b>89.0</b>	<b>89.0</b>	<b>0.0</b>
			<b>Current Assets</b>				
0.2	0.2	0.0	Inventories		0.3	0.3	0.0
31.1	31.1	6.7	Short Term Debtors	11	21.3	20.9	0.4
30.2	30.2	0.0	Cash and Cash Equivalents	12	30.9	30.9	0.0
1.6	1.6	0.0	Assets held for sale	13	2.6	2.6	0.0
<b>63.1</b>	<b>63.1</b>	<b>6.7</b>	<b>Total Current Assets</b>		<b>55.1</b>	<b>54.7</b>	<b>0.4</b>
			<b>Current Liabilities</b>				
(27.3)	(33.5)	(0.5)	Short Term Creditors	14	(26.8)	(26.3)	(0.5)
(6.7)	0.0	(6.7)	Provisions	15	(1.3)	(0.9)	(0.4)
<b>(34.0)</b>	<b>(33.5)</b>	<b>(7.2)</b>	<b>Total Current Liabilities</b>		<b>(28.1)</b>	<b>(27.2)</b>	<b>(0.9)</b>
			<b>Long Term Liabilities</b>				
(1,735.4)	0.0	(1,735.4)	Other Long Term Liabilities	25	(1,486.5)	0.0	(1,486.5)
<b>(1,735.4)</b>	<b>0.0</b>	<b>(1,735.4)</b>	<b>Total Long Term Liabilities</b>		<b>(1,486.5)</b>	<b>0.0</b>	<b>(1,486.5)</b>
<b>(1,616.9)</b>	<b>119.0</b>	<b>(1,735.9)</b>	<b>Net Assets</b>		<b>(1,370.5)</b>	<b>116.5</b>	<b>(1,487.0)</b>
			<b>Financed by:</b>				
			<b>Usable Reserves</b>	16			
12.0	12.0	0.0	Usable Capital Receipts		12.2	12.2	0.0
12.9	12.9	0.0	General Balances		11.5	11.5	0.0
10.3	10.3	0.0	Earmarked Reserves	6	7.1	7.1	0.0
0.6	0.6	0.0	Capital Grants Unapplied		0.9	0.9	0.0
			<b>Unusable Reserves</b>	17			
68.1	68.1	0.0	Capital Adjustment Account		64.3	64.3	0.0
12.5	12.5	0.0	Revaluation Reserve		18.3	18.3	0.0
(1,735.4)	0.0	(1,735.4)	Pension Reserve		(1,486.5)	0.0	(1,486.5)
2.6	2.6	0.0	Collection Fund Adjustment Account		2.2	2.2	0.0
(0.5)	0.0	(0.5)	Accumulated Absences Account		(0.5)	0.0	(0.5)
<b>(1,616.9)</b>	<b>119.0</b>	<b>(1,735.9)</b>			<b>(1,370.5)</b>	<b>116.5</b>	<b>(1,487.0)</b>



Ian Perkin, Treasurer of the Police and Crime Commissioner

Date: 27th September 2016

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

	Notes	31 March 2015		31 March 2016	
		£m	£m	£m	£m
<b>OPERATING ACTIVITIES</b>					
<b>Cash Outflows</b>					
Cash paid to and on behalf of employees		189.7		199.7	
Other operating activities		48.2		30.9	
			237.9		230.6
<b>Cash Inflows</b>					
Precept Income		(101.1)		(105.6)	
NNDR Income		(30.2)		(29.4)	
Police Grant		(66.6)		(62.5)	
Council Tax Localisation Grant		(6.8)		(6.8)	
Other Government grants		(32.4)		(23.5)	
Other receipts from operating activities		(3.3)		(3.7)	
Interest received		(0.1)		(0.2)	
			(240.5)		(231.7)
<b>Operating Activities Net Cash Out/Inflow</b>			(2.6)		(1.1)
<b>INVESTING ACTIVITIES</b>					
<b>Cash Outflows</b>					
Purchase of property plant and equipment		5.7		6.8	
Capital creditors		0.0		0.0	
			5.7		6.8
<b>Cash Inflows</b>					
Proceeds from sale of property, plant and equipment		(4.2)		(5.2)	
Capital grants received		(2.0)		(1.2)	
Other receipts from investing activities					
			(6.2)		(6.4)
<b>Investing Activities Net Cash Inflow</b>			(0.5)		0.4
<b>FINANCING ACTIVITIES</b>					
<b>Cash Outflows</b>					
External interest paid		0.0		0.0	
Capital element of finance lease rental		0.0		0.0	
Interest element of finance lease		0.0		0.0	
Servicing of external finance creditors		0.0		0.0	
			0.0		0.0
<b>Financing Activities Net Cash Inflow</b>			0.0		0.0
<b>NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS</b>			(3.1)		(0.7)
<b>Cash and cash equivalents at the beginning of the reporting period</b>			27.1		30.2
<b>Cash and cash equivalents at the end of the reporting period</b>	12		30.2		30.9



## NOTES TO THE ACCOUNTS

### 1. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the 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.
- Estates strategy – the timing and value of future property sales need to be considered in order to provide funds for future capital programmes.
- Expenditure – a judgement has been made of the expenditure allocated between the Police and Crime Commissioner's and Chief Constable's accounts to reflect financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable. The basis adopted for this allocation was determined by the Group in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP.
- Asset values – the PCC exercises judgement in determining the carrying value of land and buildings on the PCC/PCC Group Balance Sheet by having valuations on a 5-year basis supplied by external valuers, Bruton Knowles. In addition to valuations, the local market conditions and national data are assessed as to whether there should be changes in asset values. The Land Registry House Price Index as at the 31<sup>st</sup> March 2016 indicated that long term debt relating to equity loans made under the housing scheme have increase in value by £0.5m since the loans were originally made. Due to the varied locations of the property portfolio, the fact that the index gives a broad brush approach, and the CIPFA Code recommends that indices should only be used by appropriate valuation experts in support of their professional judgement, this increase has not been applied for 2015/16. We have agreed with Bruton Knowles to value these properties during 2016/17.
- Leases – the PCC has to determine whether the leases it enters should be classified as operating or finance leases. The PCC must also consider whether contractual arrangements it enters into have the substance of a lease. These judgements are made on the professional opinion of the PCC Group's accountants and procurement manager based on contract procedure rules and the strict criteria set out in International Accounting Standard 17 (IAS 17) relating to leases.
- Working capital – the PCC controls the treasury management function and all bank accounts, therefore 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 their 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 1<sup>st</sup> 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 the Chief Constables accounts the leave accrual has been accordingly matched and accounted for on the Chief Constables Balance Sheet. The calculation is based on staff annual leave records and an average cost for each grade.
- 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.
- Insurance Reserve and Provision - The value of both the insurance reserve and provision require estimates from an independent qualified actuary to assess the appropriate insurance provisions and reserves for self-insured claims. The estimates are based on the Chain Ladder actuarial method for forecasting ultimate mature loss levels.

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

The audited Statement of Accounts was approved by the Police and Crime Commissioner on 27<sup>th</sup> 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.

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

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

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

The items in the Group's Balance Sheet at 31 March 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
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings increases by £86k for every year that useful lives are reduced. It is estimated that the annual depreciation charge for vehicles increases by £484k for every year that useful lives are reduced.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Government's Actuary's Department have been engaged to provide the Group with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme.	The Police Pension Scheme is governed by the Police Pensions Regulations 1987 and related regulations. An actuarial valuation is carried out every 4 years, the last being at 31 March 2012. The Group has applied the pension disclosures from Government Actuary's Department (GAD) model in accordance with the requirements of CIPFA's Code of Practice for accounting periods commencing on or after 1 April 2010. The last formal valuation of LGPS was 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.
<b>Insurance Claims Liability</b>	The level of potential claims facing the Police and Crime Commissioner is independently assessed by professional actuaries Gallagher Heath on an annual basis. This assesses the future potential costs on the Police and Crime Commission of claims both known and unknown. Funding for these Insurance liabilities are held in the insurance reserve.	In the event that claims are higher than predicted additional resources would be required.

#### 4. Prior Year Adjustments

The Group has no prior year adjustments for the year ended 31 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 Group in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

2014/2015	Usable Reserves					Unusable Reserves				
	PCC			CC	GROUP	PCC			CC	GROUP
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	General Fund Balance £m	Total Usable Reserves £m	Capital Adjustment Account £m	Revaluation Reserve £m	Council Tax £m	Total Unusable £m	Total Unusable Reserves £m
<b>Reversal of items included in the Comprehensive Income and Expenditure Statement:</b>										
Amortisation of intangible fixed assets	(1.8)				(1.8)	1.8				1.8
Depreciation of property plant and equipment	(7.1)				(7.1)	5.9	1.2			7.1
Impairment of property plant and equipment					0.0					0.0
Capital Grants & Contributions Applied	1.9				1.9	(1.9)				(1.9)
Capital Grant & Contributions Unapplied					0.0					0.0
Disposal of property plant and equipment	(4.2)				(4.2)	4.0				4.0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	4.2	(1.2)			3.0	(3.0)				(3.0)
Short term employee benefits				0.1	0.1				(0.1)	(0.1)
Net charges made for retirement benefits in accordance with IAS19				(119.7)	(119.7)				119.7	119.7
Council Tax adjustment	0.9				0.9			(0.9)		(0.9)
					0.0					0.0
					0.0					0.0
<b>Addition of items excluded from the Comprehensive Income and Expenditure Statement:</b>										
Minimum revenue provision for capital financing	0.7				0.7	(0.7)				(0.7)
Capital expenditure charged in-year to the General Fund Balance	1.0		(0.4)		0.6	(0.6)				(0.6)
Amortisation of Revaluation Reserve					0.0					0.0
Employer's contribution payable to the Pensions Account and retirement payable direct to pensioners				52.6	52.6				(52.6)	(52.6)
<b>Net additional amount required to be (credited) / debited to the General Fund balance for the year</b>	<b>(4.4)</b>	<b>(1.2)</b>	<b>(0.4)</b>	<b>(67.0)</b>	<b>(73.0)</b>	<b>5.5</b>	<b>1.2</b>	<b>(0.9)</b>	<b>67.0</b>	<b>72.8</b>

2015/2016	Usable Reserves					Unusable Reserves				
	PCC			CC	GROUP	PCC			CC	GROUP
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	General Fund Balance £m	Total Usable Reserves £m	Capital Adjustment Account £m	Revaluation Reserve £m	Council Tax £m	Total Unusable £m	Total Unusable Reserves £m
<b>Reversal of items included in the Comprehensive Income and Expenditure Statement:</b>										
Amortisation of intangible fixed assets	(1.9)				(1.9)	1.9				1.9
Depreciation of property plant and equipment	(7.7)				(7.7)	6.2	1.4			7.6
Impairment of property plant and equipment					0.0					0.0
Capital Grants & Contributions Applied	0.9				0.9	(0.9)				(0.9)
Capital Grant & Contributions Unapplied	0.3		(0.3)		0.0					0.0
Disposal of property plant and equipment	(3.8)				(3.8)	3.8				3.8
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	5.3	(0.2)			5.1	(5.1)				(5.1)
Short term employee benefits				0.0	0.0				0.0	0.0
Net charges made for retirement benefits in accordance with IAS19				(109.5)	(109.5)				109.5	109.5
Council Tax adjustment	(0.4)				(0.4)			0.4		0.4
					0.0					0.0
					0.0					0.0
<b>Addition of items excluded from the Comprehensive Income and Expenditure Statement:</b>										
Minimum revenue provision for capital financing	1.2				1.2	(1.2)				(1.2)
Capital expenditure charged in-year to the General Fund Balance	0.9				0.9	(0.9)				(0.9)
Amortisation of Revaluation Reserve					0.0					0.0
Employer's contribution payable to the Pensions Account and retirement payable direct to pensioners				53.7	53.7				(53.7)	(53.7)
<b>Net additional amount required to be (credited) / debited to the General Fund balance for the year</b>	<b>(5.2)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(55.8)</b>	<b>(61.5)</b>	<b>3.8</b>	<b>1.4</b>	<b>0.4</b>	<b>55.8</b>	<b>61.4</b>

## 6. Transfers To/From Earmarked Reserves

The table below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16

	Balance as at 31 March 2015 £m	Appropriations (to) from revenue £m	Balance as at 31 March 2016 £m
<b>Earmarked Reserve Category</b>			
Insurance	3.7	(1.3)	2.4
Estates Maintenance	0.0	0.5	0.5
Ill Health	2.0	0.3	2.3
Healthcare	0.3	(0.3)	0.0
Chief Constable	1.0	(0.4)	0.6
Training Reserve	0.0	0.8	0.8
Employee Retention	0.9	(0.9)	0.0
Operation Heather	1.3	(0.8)	0.5
Police Staff Pension Scheme	1.1	(1.1)	0.0
<b>Total Earmarked Reserves</b>	<b>10.3</b>	<b>(3.2)</b>	<b>7.1</b>

### Insurance Reserve

This represents a reserve for insurance liabilities. The reserve is intended to cover likely insurance liabilities that occur and to cover risks in the areas of motor insurance, employers and public liability. This year the reserve has been split into a Reserve mainly to cover unreported claims and a Provision which covers reported claims.

### Estate Maintenance Reserve

The reserve has been set aside to meet the cost of Estate Improvements.

### Ill Health Reserve

This reserve is to meet the cost of police officers' ill health commutations in the future. For each instance of ill health the PCC has to provide for the capital equivalent charge that is required to be paid into the Police Pension Account.

### Chief Constable Reserve

This reserve has been set aside by the PCC for the Chief Constable to use at his discretion. During 2015/16 this funding was used for policing the Magna Carta celebrations.

### Training Reserve

This is to meet the cost of training officers in a range of skills so they are equipped to support the new Policing in Your Neighbourhood model.

### Operation Heather

The purpose of this reserve is to pay for a dedicated enquiry team and legal costs associated with activity that will arise from family requests for disclosure of information, High Court Hearings and possibly new inquests associated with the deaths of 4 army personnel at the Princess Royal Barracks, Deepcut, Surrey between 1995 and 2002.

## 7. Grant Income

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2014/2015 £m	2015/2016 £m
<b>Income credited to Policing Services</b>		
Innovation Funding Joint Emergency Services	0.5	0.2
Counter Terrorism	0.9	0.9
Proceeds of Crime Act	0.4	0.4
Interoperability Grant	1.1	0.6
Other Smaller Grants	0.1	0.0
Victim Support Grant	0.6	1.3
<b>Total credited to policing services</b>	<b>3.6</b>	<b>3.4</b>
<b>Other Operating Expenditure</b>		
Home Office grant payable to the cost of retirement benefits	18.6	13.9
<b>Total credited to other operating expenditure</b>	<b>18.6</b>	<b>13.9</b>
<b>Taxation and Non Specific Income</b>		
Capital Grants and Contributions	2.0	1.2
Council Tax Freeze	2.5	2.5
Victim Support Grant	0.4	0.0
Council Tax Localisation Grant	6.8	6.8
Precept Income	102.0	105.6
NNDR	30.2	29.4
Police Grant	66.6	62.5
<b>Total credited to taxation and non specific income</b>	<b>210.5</b>	<b>208.0</b>

### **Innovation Funding Joint Emergency Services**

A home office grant to encourage innovation, collaborative and cost-saving projects aimed at transforming policing e.g. Emergency Services Collaboration programme the use of unmanned aerial vehicles.

### **Counter Terrorism**

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

### **Proceeds of Crime Act**

A Home Office allocation of pooled resources generated from assets forfeited under the Proceeds of Crime Act.

### **Interoperability**

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

### **Victim Support Grant**

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

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

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

### **Council Tax Freeze**

Government funding to compensate for reduced Council Tax Revenue.

## 8. Capital Expenditure and Capital Financing

This table shows details of expenditure on capital items as defined within the Accounting Policies, together with the resources that have been used to finance it. Capital expenditure increases the asset worth of the Group, as shown in the Balance Sheet and associated Property, Plant and Equipment (note 9).

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

	2014/15 £m	2015/16 £m
<b>Opening Capital Financing Requirement</b>	<b>11.0</b>	<b>10.3</b>
<b>Capital Investment</b>		
Property - Land & Buildings	0.2	0.4
Vehicles, Plant & equipment	4.4	4.7
Intangible Assets	1.1	1.7
<b>Sources of Finance</b>		
Capital Receipts	(3.0)	(5.0)
Governemnt Grants & other contributions	(2.0)	(1.2)
Direct Revenue contributions	(0.7)	(0.6)
MRP	(0.7)	(1.2)
<b>Closing Capital Financing Requirement</b>	<b>10.3</b>	<b>9.1</b>
<b>Explanation of movements in year</b>		
MRP	(0.7)	(1.2)
Increase in underlying need to borrow (unsupported by government financial assistance)	0.0	0.0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(0.7)</b>	<b>(1.2)</b>

## 9. Property, Plant and Equipment

Changes in Non-Current Assets are summarised below:

Movements in 2014/2015	Land and Buildings £m	Vehicle, Plant, Furniture & Equipment £m	Surplus Assets £m	Assets under construction £m	Total Property, Plant and Equipment £m
<b>At 1 April 2014</b>	<b>70.3</b>	<b>54.1</b>	<b>5.1</b>	<b>2.1</b>	<b>131.6</b>
<b>Cost or Valuation</b>					
Additions	0.1	3.4	0.0	1.3	4.8
Reclassified to/(from) Assets Under Construction	0.1	1.8	0.0	(1.9)	0.0
Revaluations recognised in Revaluation Reserve	0.0	0.0	0.0	0.0	0.0
Revaluations charged to CIES	0.0	0.0	0.0	0.0	0.0
Depreciation on Revaluations	0.0	0.0	0.0	0.0	0.0
Derecognition - disposals	0.0	(2.3)	(2.0)	0.0	(4.3)
Assets reclassified (to)/from Held for Sale	(0.4)	0.0	0.0	0.0	(0.4)
Assets reclassified (to)/From Surplus	0.0	0.0	0.0	0.0	0.0
Other movements in cost or valuation - Transfers	0.0	0.0	0.0	0.0	0.0
<b>At 31 March 2015</b>	<b>70.1</b>	<b>57.0</b>	<b>3.1</b>	<b>1.5</b>	<b>131.7</b>
<b>At 1 April 2014</b>	<b>(1.8)</b>	<b>(39.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>(41.4)</b>
<b>Accumulated Depreciation and Impairment</b>					
Depreciation charge	(2.1)	(4.9)	(0.1)	0.0	(7.1)
Depreciation on Disposals & Revaluations	0.0	1.7	0.0	0.0	1.7
Impairments	0.0	0.0	0.0	0.0	0.0
<b>At 31 March 2015</b>	<b>(3.9)</b>	<b>(42.8)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(46.8)</b>
<b>Net Book Value</b>					
at 31 March 2015	66.2	14.2	3.0	1.5	84.9
at 31 March 2014	68.5	14.5	5.1	2.1	90.2



<b>Movements in 2015/2016</b>	<b>Land and Buildings £m</b>	<b>Vehicle, Plant, Furniture &amp; Equipment £m</b>	<b>Surplus Assets £m</b>	<b>Assets under construction £m</b>	<b>Total Property, Plant and Equipment £m</b>
<b>At 1 April 2015</b>	<b>70.1</b>	<b>57.0</b>	<b>3.1</b>	<b>1.5</b>	<b>131.7</b>
<b>Cost or Valuation</b>					
Additions	0.0	2.8	0.0	2.9	5.7
Reclassified to/(from) Assets Under Construction	0.1	1.0	0.0	(1.1)	0.0
Revaluations recognised in Revaluation Reserve	5.3	0.0	0.0	0.0	5.3
Revaluations charged to CIES	0.0	0.0	0.0	0.0	0.0
Derecognition - disposals	0.0	(18.2)	0.0	0.0	(18.2)
Assets reclassified (to)/from Held for Sale	(4.6)	0.0	0.0	0.0	(4.6)
Assets reclassified (to)/From Surplus	(3.9)	0.0	3.9	0.0	0.0
Other movements in cost or valuation - Transfers	(0.2)	(0.1)	0.0	0.0	(0.3)
<b>At 31 March 2016</b>	<b>66.8</b>	<b>42.5</b>	<b>7.0</b>	<b>3.3</b>	<b>119.6</b>
<b>At 1 April 2015</b>	<b>(3.9)</b>	<b>(42.8)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(46.8)</b>
<b>Accumulated Depreciation and Impairment</b>					
Depreciation charge	(2.0)	(5.1)	(0.1)	0.0	(7.2)
Depreciation on Disposals & W/O	0.1	18.0	0.0	0.0	18.1
Depreciation on Revaluations	1.7	0.0	0.0	0.0	1.7
Impairments	0.0	0.0	0.0	0.0	0.0
<b>At 31 March 2016</b>	<b>(4.1)</b>	<b>(29.9)</b>	<b>(0.2)</b>	<b>0.0</b>	<b>(34.2)</b>
<b>Net Book Value</b>					
<b>at 31 March 2016</b>	<b>62.7</b>	<b>12.6</b>	<b>6.8</b>	<b>3.3</b>	<b>85.4</b>
<b>at 31 March 2015</b>	<b>66.2</b>	<b>14.2</b>	<b>3.0</b>	<b>1.5</b>	<b>84.9</b>

### Depreciation

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

Buildings	25 years
Equipment	5 years
Vehicles	5 years

### Effects of Changes in Estimates

Assets are depreciated over useful lives that are dependent on assumptions about the level of repair and maintenance that will be incurred in relation to individual assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £2.3m for every year that the useful lives had to be reduced.

### Land and Buildings

All operational police stations and offices were valued by the Bruton Knowles property consultants at 31 March 2014 on the basis of value in existing use (value at 31 March 2016 £49.7m).

All police houses were valued by Bruton Knowles property consultants at 31st December 2015 on the basis of open market value at £20m.

At 31 March 2016 the Group's principal assets consisted of 18 operational stations and offices (including custody and control centres), 52 police houses and 829 police vehicles.

### 10. Intangible Assets

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

The amortisation of £1.9m (2014/15 (£1.8m) was charged to the Comprehensive Income and Expenditure Statement in 2015/16.

The movement on Intangible Asset balances during the year is as follows:		
	2014/15	2015/16
	Total Assets £m	Total Assets £m
<b>Balance at start of year:</b>		
Gross carrying amounts	7.4	6.6
Accumulated amortisation	(3.2)	(3.3)
<b>Net Carrying Amount:</b>	<b>4.2</b>	<b>3.3</b>
Additions:		
Purchases	0.9	1.1
Transfers/Reclassifications	0.0	0.1
Other disposals/WOs	(1.7)	(0.8)
Amortisation for the period	(1.8)	(1.9)
Depreciation on disposals & WOs	1.7	0.8
Other changes		
<b>Net carrying amount at the end of the year</b>	<b>3.3</b>	<b>2.6</b>
Comprising:		
Gross carrying amounts	6.6	7.0
Accumulated amortisation	(3.3)	(4.4)
	<b>3.3</b>	<b>2.6</b>

## 11. Debtors

### Long Term Debtors

Long term debts are those falling due after one year. As at 31st March 2016, the Group's long term debtor balance of £1.0m (£1.2m 2014/15) consisted of outstanding advances made to employees, predominantly those made under the housing scheme.

### Short Term Debtors

Debts outstanding at 31st March 2016 can be analysed as follows:

	31 March 2015 £m	31 March 2016 £m
<b>Short Term Debtors</b>		
Central Government Bodies	11.9	5.8
Other Local Authorities	6.0	6.4
Other	0.3	1.5
<b>SUB TOTAL</b>	<b>18.2</b>	<b>13.7</b>
<b>Payments in Advance</b>		
Other Local Authorities	9.4	2.9
Central Government Bodies	0.0	0.2
Other	3.5	4.5
<b>SUB TOTAL</b>	<b>12.9</b>	<b>7.6</b>
<b>TOTAL PCC</b>	<b>31.1</b>	<b>21.3</b>
Other Local Authorities	6.7	0.4
<b>TOTAL CHIEF CONSTABLE</b>	<b>6.7</b>	<b>0.4</b>
Remove intra group debtor	(6.7)	(0.4)
<b>TOTAL SHORT TERM DEBTORS</b>	<b>31.1</b>	<b>21.3</b>

## 12. Cash and Cash Equivalents

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

	As At 31 March 2015 £m	As At 31 March 2016 £m	Movement £m
<b>Analysis of Movement In Cash and Cash Equivalents</b>			
Cash With Accounting Officers	0.1	0.1	0.0
Short-term deposits with Surrey County Council	31.5	29.9	(1.6)
Cash (Overdraw n) / Surplus	(1.4)	0.9	2.3
<b>Total Cash and Cash Equivalents</b>	<b>30.2</b>	<b>30.9</b>	<b>0.7</b>

### Short Term Deposits

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

### 13. Assets Held for Sale

The movement in Assets Held for Sale is shown below:

	As At 31 March 2015 £m	As At 31 March 2016 £m
<b>Balance outstanding at start of year</b>	3.9	1.6
Assets newly classified as Held for Sale Property, Plant and Equipment	0.4	4.8
Revaluation adjustment	0.0	0.0
Assets sold in year	(2.7)	(3.8)
<b>Total assets held at year-end</b>	<b>1.6</b>	<b>2.6</b>

At 31 March 2016 there were 2 police stations and 5 police houses held for sale. During the year 1 police station and 7 police houses were sold.

## 14. Creditors

### Short Term Creditors

Payments due at 31st March 2016 can be analysed as follows

	31 March 2015 £m	31 March 2016 £m
<b>Short Term Creditors</b>		
<b>PCC</b>		
Central Government Bodies	3.9	4.5
Other Local Authorities	20.3	6.9
Other	8.3	13.0
<b>Sub Total</b>	<b>32.5</b>	<b>24.4</b>
<b>Receipts in Advance</b>		
<b>PCC</b>		
Central Government Bodies	0.4	0.1
Other Local Authorities	0.6	0.5
Other	0.0	1.7
<b>Sub Total</b>	<b>1.0</b>	<b>2.3</b>
<b>TOTAL PCC</b>	<b>33.5</b>	<b>26.7</b>
<b>Short Term Creditors</b>		
<b>Chief Constable</b>		
Other	0.5	0.5
<b>TOTAL CHIEF CONSTABLE</b>	<b>0.5</b>	<b>0.5</b>
Remove intra group Creditor	(6.7)	(0.4)
<b>TOTAL SHORT TERM CREDITORS</b>	<b>27.3</b>	<b>26.8</b>

## 15. 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
<b>TOTAL CHIEF CONSTABLE</b>	<b>6.7</b>	<b>(6.3)</b>	<b>0.4</b>
Insurance Provision	0.0	0.9	0.9
<b>TOTAL PCC</b>	<b>0.0</b>	<b>0.9</b>	<b>0.9</b>
<b>TOTAL PROVISIONS</b>	<b>6.7</b>	<b>(5.4)</b>	<b>1.3</b>

### Restructuring Provision

The restructuring provision has been created for restructuring costs in accordance with Strategic Change Programmes that had formal plans or supporting business cases as at the 31 March 2015. These change programmes are either in the process of being implemented or will be implemented during 2016/17.

### Insurance Provision

This year the Insurance Reserve has been split into a Reserve which is mainly for the anticipated costs of unreported claims which is based on historical costs and assumptions and a Provision which has been created to cover the anticipated costs of reported claims.

## 16. Usable Reserves

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

Usable Reserves	As At 31 March 2015 £m	As At 31 March 2016 £m
<b>PCC RESERVES</b>		
General Fund Balance	12.9	11.5
Earmarked Reserves	10.3	7.1
Usable Capital Receipts	12.0	12.2
Capital Grants Unapplied	0.6	0.9
<b>Total Usable Reserves</b>	<b>35.8</b>	<b>31.7</b>

### General Fund Balance

This represents the cumulative surplus of operating (revenue) income over operating (revenue) expenditure, which has not been set aside in a specific reserve, and is available to protect the Group against unforeseen future events.

### Earmarked Reserves

See note 6.

### Usable Capital Receipts

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

	2014/15 £m	2015/16 £m
<b>Opening Balance at 1 April</b>	<b>(10.8)</b>	<b>(12.0)</b>
Proceeds from Sale of property, plant and equipment	(4.2)	(5.2)
Usable receipts applied	3.0	5.0
<b>Closing Balance at 31 March</b>	<b>(12.0)</b>	<b>(12.2)</b>

### Capital Grants Unapplied

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

### 17. Unusable reserves

Unusable Reserves	As At 31 March 2015 £m	As At 31 March 2016 £m
<b>PCC RESERVES</b>		
Capital Adjustment Account	68.1	64.3
Revaluation Reserve	12.5	18.3
Collection Fund Adjustment Account	2.6	2.2
<b>TOTAL PCC</b>	<b>83.2</b>	<b>84.8</b>
<b>CHIEF CONSTABLE</b>		
Accumulated Absences Account	(0.5)	(0.5)
Pension Reserve	(1,735.4)	(1,486.5)
<b>TOTAL CHIEF CONSTABLE</b>	<b>(1,735.9)</b>	<b>(1,487.0)</b>
<b>Total Unusable Reserves</b>	<b>(1,652.7)</b>	<b>(1,402.2)</b>

### Capital Adjustment Account

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

	2014/15 £m	2015/16 £m
<b>Opening Balance at 1 April</b>	<b>73.6</b>	<b>68.1</b>
Cost of Disposed/Decommissioned Assets	1.8	0.0
Usable receipts applied	3.0	5.0
Capital grants and contributions applied	2.0	1.2
Revenue resources applied	0.7	0.6
Write down long term debt	(0.6)	(0.2)
Asset Disposals	(4.5)	(2.9)
Depreciation/MRP	(7.9)	(7.5)
<b>Closing Balance at 31 March</b>	<b>68.1</b>	<b>64.3</b>

### Revaluation Reserve

	2014/15 £m	2015/16 £m
<b>Opening Balance at 1 April</b>	<b>13.7</b>	<b>12.5</b>
Upward revaluation of assets	0.0	7.4
Depreciation	(0.3)	(0.3)
Gains on assets sold	(0.9)	(1.3)
<b>Closing Balance at 31 March</b>	<b>12.5</b>	<b>18.3</b>

This reserve records the accumulated gains on the non-current assets held by the Group arising from increases in value, as a result of inflation or other factors. Whilst the gains arising from asset revaluations increase the net worth of the Group, they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

### Collection Fund Adjustment Account

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

	2014/15 £m	2015/16 £m
<b>Opening Balance at 1 April</b>	<b>1.7</b>	<b>2.6</b>
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax calculated for the year in accordance with statutory requirements	0.9	(0.4)
<b>Closing Balance at 31 March</b>	<b>2.6</b>	<b>2.2</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 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
<b>Opening Balance at 1 April</b>	<b>(0.6)</b>	<b>(0.5)</b>
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)
<b>Closing Balance at 31 March</b>	<b>(0.5)</b>	<b>(0.5)</b>

## Pension Reserve

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

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

Actuarial gains and losses are also recognised as movements on reserve:

	Police Pension Schemes					Local Government Pension Scheme		Total	
	1987	2006	1987	2006	2015	2014/15 £m	2015/16 £m	2014/15 £m	2015/16 £m
	2014/15 £m	£m	2015/16 £m	£m	£m				
<b>Opening Balance</b>	<b>(1,350.5)</b>	<b>(51.9)</b>	<b>(1,542.9)</b>	<b>(76.5)</b>	<b>0.0</b>	<b>(84.8)</b>	<b>(116.0)</b>	<b>(1,487.2)</b>	<b>(1,735.4)</b>
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
<b>Closing Balance</b>	<b>(1,542.9)</b>	<b>(76.5)</b>	<b>(1,324.9)</b>	<b>(66.6)</b>	<b>(17.8)</b>	<b>(116.0)</b>	<b>(77.2)</b>	<b>(1,735.4)</b>	<b>(1,486.5)</b>

## 18. Amounts Reported For Resource Allocation Decisions

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

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

£m

Cost of Services in Service Analysis

205.0

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**

**225.2**

### Reconciliation to Subjective Analysis

	Service Analysis £m	Services not in Analysis £m	Not Included in Management Accounts £m	Not included in I&E £m	Net Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges & other service income	(7.1)				(7.1)		(7.1)
Gain on Disposal of Fixed Assets					0.0		0.0
Interest and investment income				0.1	0.1	(0.1)	0.0
Income from council tax					0.0		0.0
Government grants and contributions	(3.6)				(3.6)	(223.3)	(226.9)
<b>Total Income</b>	<b>(10.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>(10.6)</b>	<b>(223.4)</b>	<b>(234.0)</b>
Employee expenses	170.3	(0.1)	15.0		185.2		185.2
Other service expenses	45.4	0.1		(3.0)	42.5	65.4	107.9
Support Service recharges					0.0		0.0
Depreciation, amortisation and impairment				8.5	8.5	0.0	8.5
Precepts & Levies				(0.7)	(0.7)	0.7	0.0
Profit on Disposal of Fixed Assets			0.3		0.3	(0.3)	0.0
<b>Total operating expenses</b>	<b>215.7</b>	<b>0.0</b>	<b>15.3</b>	<b>4.8</b>	<b>235.8</b>	<b>65.8</b>	<b>301.6</b>
<b>Surplus or deficit on the provision of services</b>	<b>205.0</b>	<b>0.0</b>	<b>15.3</b>	<b>4.9</b>	<b>225.2</b>	<b>(157.6)</b>	<b>67.6</b>

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

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

£m

Cost of Services in Service Analysis

205.5

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

13.9

Amounts in the CI & E Statement 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**

**230.8**

**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	Corporate Amounts £m	Total £m
Fees, charges & other service income	(9.0)				(9.0)		(9.0)
Gain on Disposal of Fixed Assets					0.0		0.0
Interest and investment income				0.2	0.2	(0.2)	0.0
Income from council tax					0.0		0.0
Government grants and contributions	(3.5)			2.2	(1.3)	(221.5)	(222.8)
<b>Total Income</b>	<b>(12.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>2.4</b>	<b>(10.1)</b>	<b>(221.7)</b>	<b>(231.8)</b>
Employee expenses	176.3	13.9	(1.5)	0.1	188.8		188.8
Other service expenses	41.7			1.6	43.3	57.2	100.5
Support Service recharges					0.0		0.0
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)	0.0
<b>Total operating expenses</b>	<b>218.0</b>	<b>13.9</b>	<b>8.0</b>	<b>1.0</b>	<b>240.9</b>	<b>56.4</b>	<b>297.3</b>
<b>Surplus or deficit on the provision of services</b>	<b>205.5</b>	<b>13.9</b>	<b>8.0</b>	<b>3.4</b>	<b>230.8</b>	<b>(165.3)</b>	<b>65.5</b>

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

2014/2015				2015/2016		
Group £m	PCC £m	CC £m		Group £m	PCC £m	CC £m
82.5	0.0	82.5	<b>EXPENDITURE</b>	85.0	0.0	85.0
69.7	0.8	68.9	Police Pay, NI and Allowances	72.8	0.9	71.9
5.4	0.0	5.4	Police Staff Pay, NI, Superannuation & Allowances	5.7	0.0	5.7
			Other Employee Expenditure			
<b>157.6</b>	<b>0.8</b>	<b>156.8</b>	<b>Total Employee Expenditure</b>	<b>163.5</b>	<b>0.9</b>	<b>162.6</b>
33.7	0.0	33.7	Net Cost Police Pensions Scheme	28.7	0.0	28.7
7.7	0.0	7.7	Premises	8.4	0.0	8.4
23.4	2.1	21.3	Supplies and Services	26.6	2.4	24.2
4.9	0.0	4.9	Transport	4.9	0.0	4.9
9.0	0.0	9.0	Depreciation	9.5	0.0	9.5
<b>236.3</b>	<b>2.9</b>	<b>233.4</b>	<b>Gross Operating Expenditure</b>	<b>241.6</b>	<b>3.3</b>	<b>238.3</b>
(7.8)	(7.8)		<b>INCOME</b>	(7.1)	(7.1)	
0.0	0.0		Grants and Contributions	(0.2)	(0.2)	
(2.9)	(2.9)		Sales	(3.1)	(3.1)	
(0.4)	(0.4)		Fees and Charges	(0.4)	(0.4)	
			Rents			
<b>(11.1)</b>	<b>(11.1)</b>		<b>Total Income</b>	<b>(10.8)</b>	<b>(10.8)</b>	
<b>225.2</b>	<b>(8.2)</b>		<b>Net Cost of Services</b>	<b>230.8</b>	<b>(7.5)</b>	
0.7	0.0	0.7	Levies	0.7	0.0	0.7
5.7	0.0	5.7	Police Officer Pension Commutation Provision	0.0	0.0	0.0
<b>0.0</b>	<b>238.2</b>	<b>(238.2)</b>	<b>Intra group adjustment</b>	<b>0.0</b>	<b>240.5</b>	<b>(240.5)</b>
		<b>1.6</b>				<b>(1.5)</b>
(0.2)	(0.2)		Gain or loss on disposal of non current assets	(1.5)	(1.5)	
(18.6)	(18.6)		Home Office grant payable to the cost of retirement benefits	(13.9)	(13.9)	
(0.1)	(0.1)		Interest and Investment Income	(0.2)	(0.2)	
65.4	0.0	65.4	Pension interest costs and expected return on pension assets	57.2		57.2
<b>278.1</b>	<b>211.1</b>	<b>67.0</b>	<b>Net Operating Expenditure</b>	<b>273.1</b>	<b>217.4</b>	<b>55.7</b>
(2.0)	(2.0)		Capital Grants and Contributions	(1.2)	(1.2)	
(2.5)	(2.5)		Council Tax Freeze Grant	(2.5)	(2.5)	
0.0	(0.4)		Victim Services Grant	0.0	0.0	
(66.6)	(66.6)		Police Grants	(62.5)	(62.5)	
(6.8)	(6.8)		Localisation Support Grant	(6.8)	(6.8)	
(30.2)	(30.2)		National Non Domestic Rates	(29.4)	(29.4)	
(102.0)	(102.0)		Precept	(105.2)	(105.2)	
<b>68.0</b>	<b>0.6</b>	<b>67.0</b>	<b>(SURPLUS) OR DEFICIT FOR THE YEAR</b>	<b>65.5</b>	<b>9.8</b>	<b>55.7</b>

## 19. 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 31<sup>st</sup> 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 supported 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
<b>Collaborated Services</b>			
<b>Sussex</b>			
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
<b>Shared Costs</b>			
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
<b>Other</b>			
ERP - Sussex and Thames Valley	0.7	0.3	0.0
	<b>60.8</b>	<b>27.6</b>	<b>24.1</b>

## 20. Leases

As at the 31st March 2016, the Group had the following future obligations in respect of operating leases:

### Vehicles, Plant, Furniture and Equipment

The Group has not entered into any new operating leases for this category during 2015/16. The operating lease for printers/photocopiers is over a five year period ending December 2017, with future obligations payable of £0.2m.

### Land and Buildings

The Group terminated two and renewed one operating lease during 2015/16. For these and existing arrangements held under operating leases during 2015/16 rental payments were £0.8m (2014/15 £0.8m).

### Commitments Under Operating Leases

The Group was committed at 31st March 2016 to making payments of £0.7m under operating leases in 2016/17 comprising the following elements:

	Future lease obligations payable  2016/17 £m	Future lease obligations payable between  2017/18 to 2020/21 £m	Future lease obligations payable  2021/22 Onwards £m
Land and Buildings	0.7	2.0	1.6
Vehicles, Plant and Equipment	0.0	0.0	0.0
<b>Total</b>	<b>0.7</b>	<b>2.0</b>	<b>1.6</b>

## 21. Private Finance Initiatives and Similar Contracts

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

Airwave is a national PFI scheme for a replacement radio communication system. The Group has contracted with an external telecommunications provider to develop the necessary infrastructure, in return for an annual rental payable over a 15-year contract period. The contract, which ends September 2018, is based on a framework or core agreement, which has been drafted following negotiations between PITO (Home Office Police and Information Technology Organisation), police authorities in Great Britain and a consortium of external telecommunications providers.

## 22. Joint Audit Committee

Under the governance arrangements for policing, the Chief Constable and the Police and Crime Commissioner require a Joint Audit Committee to provide independent and effective assurance about the adequacy of financial management and reporting. 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	£2500 per annum

### 23. Officers' Remuneration

The number of employees (including Police Officers and the PCC) in the Group whose remuneration was £50,000 or more is as follows.

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

Employees included as seconded were on secondment to other agencies as at 31 March 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
<u>Chief Constable</u>						
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
<b>Total</b>	<b>232</b>	<b>6</b>	<b>238</b>	<b>289</b>	<b>8</b>	<b>297</b>
<u>PCC</u>						
50,000 - 54,999	2	0	2	1	0	1
55,000 - 59,999	0	0	0	1	0	1
60,000 - 64,999	0	0	0	1	0	1
75,000 - 79,999	1	0	1	2	0	2
80,000 - 84,999	1	0	1	0	0	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>5</b>	<b>0</b>	<b>5</b>
<b>Group Total</b>	<b>236</b>	<b>6</b>	<b>242</b>	<b>294</b>	<b>8</b>	<b>302</b>

Remuneration for Senior Officers with a salary between £50,000 and £150,000 with responsibility for the management of Surrey Police were:						
Position	Position Start Date	Position End Date	2014/15			
			Total Remuneration	2015/2016		
			£	Salary, Fees & Allowances	Employers Pension Contribution	Compensation for Loss of Office
Chief Constable-Lynne Owens	01/02/2012	03/01/2016	178,938	110,244	25,583	£
Temporary Chief Constable-Nick Ephgrave-Note 1	19/12/2015			31,112	7,393	£
Deputy Chief Constable-Note 1	29/07/2013	18/12/2015	145,438	93,337	22,178	£
Temporary Deputy Chief Constable-Note 2	20/12/2015			27,161	6,399	£
Assistant Chief Constable -Note 2	04/10/2013	19/12/2015	124,851	81,483	19,197	£
Assistant Chief Constable	20/05/2013		124,508	105,081	24,532	£
Temporary Assistant Chief Constable Note 3	20/12/2015			21,829	5,059	£
Chief Superintendent-Note 3	23/11/2008	19/12/2015	108,608	65,487	15,175	£
Chief Superintendent	24/05/2009		107,656	82,553	20,234	£
Chief Superintendent	07/01/2013		104,345	82,234	19,822	£
Chief Superintendent	07/01/2013		113,232	83,023	19,822	£
Chief Superintendent	09/06/2014		105,565	84,307	19,854	£
Temporary Chief Superintendent	20/12/2015			79,246	18,569	£
Temporary Chief Superintendent	20/12/2015			73,329	17,578	£
Temporary Chief Superintendent	19/12/2015			80,316	18,530	£
Assistant Chief Officer	27/08/2013		113,551	110,908	18,199	£
Head of Corporate Communications	30/04/2013		79,535	70,151	11,556	£
Head of Human Resources-Note 4	01/08/2009	30/04/2015	98,320	7,240	1,168	£
Head of Finance & Services	01/09/2010		98,166	86,070	14,018	£
Chief Information Officer-Note 4	02/06/2014	13/07/2015	98,478	31,256	4,979	£
Chief Information Officer	16/11/2015			44,046	7,301	£
PCC						
PCC	22/11/2012		83,897	70,965	12,390	£
PCC Deputy	13/12/2012		66,285	55,821	9,735	£
PCC Chief Executive	27/09/2010		54,804	75,853	14,196	£
PCC Chief Executive (Maternity Cover)	01/04/2014	31/03/2015	96,861			£
PCC Treasurer	09/05/2005		69,417	62,383	11,033	£
GROUP TOTAL			1,972,455	1,715,435	364,500	£

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



## 24. Number of exit packages agreed

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

Exit Package cost band  £	2014/15	2014/15	2015/16	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
<b>Total</b>	<b>42</b>	<b>617,957</b>	<b>70</b>	<b>953,191</b>

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

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

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year.

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 earn them.

## Transactions Relating to Retirement Benefits

	Police Pension Scheme					LGPS Scheme		Total	
	1987 2014/15	2006 2014/15	1987 2015/16	2006 2015/16	2015	2014/15	2015/16	2014/15	2015/16
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Comprehensive Income and Expenditure Statement</b>									
<b>Cost of Services</b>									
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
<b>Finance and Investment Income and Expenditure</b>									
Net interest expense	58.6	3.1	50.2	2.9	0.3	3.6	3.8	65.3	57.2
<b>Total post employment benefits charged to the surplus or deficit on the Provision of Services</b>	<b>88.0</b>	<b>16.5</b>	<b>68.4</b>	<b>4.0</b>	<b>20.0</b>	<b>15.2</b>	<b>17.1</b>	<b>119.7</b>	<b>109.5</b>
<b>Other post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>									
<b>Remeasurement of the net defined benefit liability comprising:</b>									
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)
<b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>144.1</b>	<b>8.6</b>	<b>(244.0)</b>	<b>(13.8)</b>	<b>(2.1)</b>	<b>28.4</b>	<b>(44.7)</b>	<b>181.1</b>	<b>(304.6)</b>
<b>Movement in Reserves Statement</b>									
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)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>									
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 2014/15	2006 2014/15	1987 2015/16	2006 2015/16	2015	2014/15	2015/16	2014/15	2015/16
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Opening balance at 1 April 2015</b>	<b>(1,338.4)</b>	<b>(63.8)</b>	<b>(1,530.8)</b>	<b>(88.4)</b>	<b>0.0</b>	<b>(258.9)</b>	<b>(325.6)</b>	<b>(1,661.1)</b>	<b>(1,944.8)</b>
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)
<b>Remeasurement (gains) and losses:</b>									
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
<b>Closing balance at 31 March 2016</b>	<b>(1,530.8)</b>	<b>(88.4)</b>	<b>(1,312.9)</b>	<b>(78.4)</b>	<b>(17.8)</b>	<b>(325.6)</b>	<b>(298.8)</b>	<b>(1,944.8)</b>	<b>(1,707.9)</b>

Reconciliation of Fair Value of the Staff Pension Scheme Assets:

	Local Government Pension Scheme	
	2014/15 £m	2015/16 £m
<b>Opening Balance 1st April 2015</b>	<b>174.0</b>	<b>209.4</b>
Interest income	7.7	7.1
<b>Remeasurement gain / (loss):</b>		
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)
<b>Closing Balance 31st March 2016</b>	<b>209.4</b>	<b>221.4</b>

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

Scheme history:

	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)
<b>Total</b>	<b>(1,230.8)</b>	<b>(1,472.9)</b>	<b>(1,487.2)</b>	<b>(1,735.4)</b>	<b>(1,486.5)</b>

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 PCC.

### Expected Future Contributions

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

The Local Government Pension Scheme is administered by Surrey County Council. The value of the staff pension scheme is assessed triennially and the employers contribution is 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
<b>Long-term expected rate of return on assets in the scheme:</b>				
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%
<b>Mortality assumptions:</b>				
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%	Split not available	95.7%	Split not available	100.0%	38.0
Deferred Members	20.9%	28.4	5.2%		3.7%		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
			2014/15		2015/16				
	£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 it's liabilities.

The Local Government Pension Scheme's assets consist of the following categories of investments as shown below

FAIR VALUE OF PENSION ASSETS	Asset Distribution 31st March 2015	Asset Distribution 31st March 2015	Asset Distribution 31st March 2016	Asset Distribution 31st March 2016
	£m	%	£m	%
<b>EQUITY SECURITIES</b>				
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%
<b>DEBT SECURITIES</b>				
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%
<b>PRIVATE EQUITY</b>	7.9	4%	8.8	4%
<b>REAL ESTATE</b>				
UK Property	13.2	6%	13.4	6%
Overseas Property	0.1	0%	1.7	1%
<b>INVESTMENT FUNDS &amp; UNIT TRUSTS</b>				
Equities	61.0	29%	57.6	26%
Bonds	19.6	9%	23.8	11%
Other	24.2	12%	27.4	12%
<b>DERIVATIVES</b>				
Foreign Exchange	-0.2	0%	-1.3	-1%
<b>CASH &amp; CASH EQUIVALENTS</b>	3.9	2%	6.2	3%
<b>Total</b>	<b>209.4</b>	<b>100%</b>	<b>221.4</b>	<b>100%</b>

Changes to the Local Government Pension Scheme permits employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The valuation of the Group's retirement benefit liabilities as at 31 March 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 service cost of employees is reflected in the Comprehensive Income & Expenditure Account, and the liabilities are shown in the Balance Sheet. The in-year cost of police pensions is financed with the contributions from police officers (old scheme 11% and new scheme 9.5%) and also a contribution from the employer at 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 Comprehensive Income and Expenditure Account funded by the Home Office. Conversely, if there is a surplus this would be transferred to the Comprehensive Income and Expenditure Account for repayment to the Home Office.

The Pension Fund Account, shown below, shows a deficit of £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
<b>Contributions Receivable</b>		
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)
<b>Transfers In</b>		
Individual transfers in from other schemes	(0.4)	(0.3)
Other	0.0	0.0
<b>Benefits Payable:</b>		
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
<b>Payments to and on account of leavers</b>		
Refund of contributions	0.0	0.0
Individual transfers out to other schemes	0.6	0.9
Other	1.2	0.0
<b>Sub-total for the year before transfer from the Group of amount equal to the deficit</b>	<b>18.6</b>	<b>15.9</b>
Additional 2.9% funding payable by local policing body to meet deficit for the year	0.0	(2.0)
<b>Additional funding payable to the Group to fund the deficit for the year</b>	<b>(18.6)</b>	<b>(13.9)</b>
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

NET ASSETS STATEMENT	2014/2015 £m	2015/2016 £m
<b>Net current assets and liabilities</b>		
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
<b>Net assets and liabilities</b>	<b>0.0</b>	<b>0.0</b>

#### 26. 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
<b>Total</b>	<b>0.169</b>	<b>0.054</b>	<b>0.039</b>	<b>0.015</b>



## **27. Related Parties**

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

Central government has some control as it is responsible for providing the statutory framework and provides the majority of the funding. The value of grants received is shown in the Income and Expenditure Account and further details of specific additional grants received are given in note 7.

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

Employer's pension contributions paid by the Group to the Surrey County Council Pension Fund totalled £11.2m during 2015/2016 (£12.3m in 2014/15).

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

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

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

## **28. Contingent Liabilities**

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Group at 31st March 2016, they exclude potential costs where the liability is not yet established and the amounts are uncertain.

At 31st March 2016 the Group 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 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 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.

## 29. Contingent Assets

The Group has no contingent assets to disclose at 31<sup>st</sup> March 2016.

## 30. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

FINANCIAL INSTRUMENTS	Long Term		Current	
	31st March 2015 £m	31st March 2016 £m	31st March 2015 £m	31st March 2016 £m
Financial liabilities at amortised cost	0.0	0.0	(15.5)	(22.3)
Financial liabilities at fair value through income & expenditure	0.0	0.0	0.0	0.0
<b>Total Borrowings</b>	<b>0.0</b>	<b>0.0</b>	<b>(15.5)</b>	<b>(22.3)</b>
Loans and receivables	0.0	0.0	46.4	40.3
Financial Assets at fair value through income & expenditure	0.0	0.0	0.0	0.0
Unquoted equity investment at cost	0.0	0.0	0.0	0.0
<b>Total Investments</b>	<b>0.0</b>	<b>0.0</b>	<b>46.4</b>	<b>40.3</b>

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

## Financial Instruments Gains or Losses

No gains or losses were recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments in either 2014/15 or 2015/16. Short term receivables or payables (i.e. trade debtors, trade creditors and cash) with no stated interest amount are measured at the original invoice or transaction amount.

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

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

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

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

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

## **Credit and Counterparty Risk**

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

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

The maximum exposure to credit risk at the Balance Sheet date was as follows: trade receivables £7.4m (2014/15 £7.8m), and cash and temporary loan investments £30.9m (2014/15 £30.2m). The Group does not have any material exposure to concentrations of credit risk with any single counterparty.

## **Liquidity Risk**

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

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

The Group has had sufficient available cash balances to meet its daily requirements and there was no external borrowing outstanding as at 31st March 2016. If necessary, the Group is able to borrow from either the Public Works Loans Board or Surrey County Council.

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

## **Interest Rate Risk**

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

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

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

Interest rate risk is minimised by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates. This provides partial compensation for the higher costs incurred as a result of adverse interest rate movements.

As at 31st March 2016, the Group had no borrowing outstanding but held £29.9m in variable rate loan investments (2014/15 £31.5m).

## 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.

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

The Financial Statements included here represent the accounts for the PCC and also those for the PCC Group. The term 'Group' is used to indicate individual transactions and policies of PCC and CC for the year ended 31 March 2016. Under the Police Reform and Social Responsibility Act 2011 the powers and responsibilities attributed to the PCC as the holding organisation identifies the requirement to produce group accounts.

### 2. Fundamental Accounting Policies

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

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

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

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

The accounts reflect the normal accruals concept for both capital and revenue. Creditors are included within the Balance Sheet for goods and services supplied but not paid for at the year end. Debtors are included within the Balance Sheet where services have been provided but not yet reimbursed at the year end.

An exception to this is for utilities (gas, electricity, telephones, etc), where invoices will be accounted for in the year they fall, providing that only four quarterly or twelve monthly invoices are charged in any one year.

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

### **4. Overheads and Support Services**

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

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

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

### **5. Non-Current Assets - Property, Plant and Equipment**

#### **Recognition**

The cost of an item of property, plant and equipment is capitalised provided that the asset will benefit the Group for a period of more than one year, and the cost of the item can be measured reliably. Costs include the initial cost of acquisition or construction, and costs incurred subsequently to enhance, replace part of, or service the asset, provided that they meet the recognition criteria above.

When a component is replaced, restored or enhanced, the carrying amount of the old component is de-recognised, and the new component reflected in the carrying amount.

The general de minimis capitalisation limit is £10,000 for all relevant expenditure. There is no de minimis limit for the purchase of land and buildings, or fleet vehicles. Low value covert vehicles are not capitalised.

#### **Measurement**

Items of property, plant and equipment are initially measured at cost, comprising all expenditure that is directly attributable to bringing the assets into working condition for their intended use. Assets are then carried in the Balance Sheet using the following measurement:

Assets under construction are measured at historical cost.

Land and buildings are valued at fair value. Fair value for land and buildings under property, plant and equipment is the amount that would be paid for the asset in its existing use. Valuations are carried out by external professionals in accordance with the basis recommended by CIPFA and according to the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS).

Non-property assets that have short useful lives or low values (or both) (i.e. plant and equipment) are valued using the depreciated historical cost basis as a proxy for fair value. This is on the assumption that the useful life is a

realistic reflection of the life of the asset and the depreciation method used is a realistic reflection of the consumption of that asset class.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in the value, or as a minimum, every 5 years. Increases in valuation are recognised in the Revaluation Reserve unless the increase is reversing a previous impairment loss or revaluation decrease charged to the Comprehensive Income and Expenditure Statement for the same asset, in which case the increase is recognised in the Comprehensive Income and Expenditure Statement.

A decrease in valuation (i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset) is recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset, and thereafter in the Comprehensive Income and Expenditure Statement.

### **Depreciation**

Depreciation is calculated on a straight-line basis over the estimated life of the asset, commencing at the start of the month in which capitalisation takes place. Although depreciation is calculated on the estimated life of the specific individual asset concerned, the approximate average depreciation periods are as follows:

Buildings	25 years
Equipment	5 years
Vehicles	5 years

The economic lives of the assets are reviewed each accounting period and revised if necessary.

Land is not subject to depreciation.

Assets are not depreciated until they are available for use. Accordingly assets under construction are not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. (This is applicable to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010).

Residual values are thought to be unlikely (nil or insignificant) and are only assigned if they can be measured reliably.

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

### **Impairment**

Each category of asset (or individual asset where necessary) is reviewed at the end of each financial year for evidence of impairment. Examples of events and changes in circumstances that indicate impairment may have incurred include:

- a significant decline in a specific asset's carrying amount during the period;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the Group to undertake a significant reorganisation; and
- a significant adverse change in the statutory or other regulatory environment in which the Group operates.

All impairment losses are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset and thereafter in the Comprehensive Income and Expenditure Statement.

## **Disposal**

When a non-current asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. The disposal proceeds are credited to the Comprehensive Income and Expenditure Statement and netted off against the asset's carrying value. The resulting balance represents either the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

Receipts from the sale of houses are only recognised in the accounts when cash is received, rather than when the sale is contractually committed. This is considered to be a prudent policy, in view of the uncertainties associated with property sales.

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

## **Assets Held for Sale**

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

- The asset is available for immediate sale in its present condition;
- The sale is highly probable. This means that the Group is committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale is expected to complete within one year of the date of classification.

Assets Held for Sale are measured in the Balance Sheet at the lower of carrying value and fair value less costs to sell. Fair value for Assets Held for Sale is market value.

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

Assets Held for Sale are not depreciated.

## **6. Funding of capital expenditure to purchase Non-Current Assets**

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

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

- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital reserves to finance expenditure.
- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred, the

grant or contribution is transferred to the Capital Grants Unapplied Account, reflecting its status as a capital resource available to finance expenditure.

- When a capital grant or contribution has been received with conditions that the Group has not met, the grant or contribution is recognised in the Balance Sheet as Capital Grants Receipts in Advance. Once the condition has been met, the grant or contribution is transferred from the Capital Grants Receipts in Advance Account and recognised as income in the Comprehensive Income and Expenditure Statement and accounted for as above depending on whether expenditure has been incurred.

The above transfers are reported in the Movement in Reserves Statement.

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

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

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

## **8. Jointly Controlled Operations**

Jointly controlled operations are activities undertaken by the Group in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Group recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and share of income it earns from the activity of the operation.

## **9. Leases**

Leases are classified as either finance leases or operating leases based on risks and rewards of ownership. Land and building elements of a lease are classified and accounted for separately with the land element normally being an operating lease.

Arrangements that do not take the legal form of a lease, but allow the use of an asset in return for payments, are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **Finance Leases**

Where the Group has substantially all the risks and rewards incidental to ownership of an asset, it is accounted for as a finance lease, and is capitalised as an asset and the corresponding liability shown on the Balance Sheet. Interest costs of the lease are charged to the Comprehensive Income and Expenditure Statement.

### **Operating Leases**

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

## **10. Intangible Assets**

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

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



Intangible assets are included in the Balance Sheet at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (normally 3 years), commencing in the month the asset comes into service.

#### **11. Inventories**

Inventories are included in the Balance Sheet at cost. The Group's inventory includes items such as uniforms. Damaged and obsolete items are written off in the year. Some minor inventory items are not valued and are excluded e.g. stationery.

This policy is a departure from IAS 2 which requires inventory to be valued at the lower of cost or net realisable value. For many inventory items, particularly uniforms, net realisable value would be minimal and does not accurately reflect the value to the Group of holding these items. The variation from IAS 2 does not have a material impact on these financial statements.

#### **12. Debts Outstanding**

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

#### **13. Reserves and Provisions**

The Group maintains reserves to finance future expenditure and to protect the Group against unexpected events. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Group – these reserves are explained in the relevant policies.

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

The classification of reserves and provisions is consistent with the CIPFA Code of Practice.

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

#### **14. Employee Benefits Payable During Employment**

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

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

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

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

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

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

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

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

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

### **Police Officers Pension Schemes**

This scheme is un-funded and the employer's contribution is charged to the Comprehensive Income and Expenditure Statement. The fund is divided into Police Pension Scheme 1987, Police Injury Benefits, 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 2014/15 CIPFA Code.

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

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

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

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

## **17. Revenue Grants and Contributions**

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

Net expenditure is expressed before deducting government grants in support of the overall expenditure of the Group, i.e. specific police grants, Revenue Support Grant and National Non Domestic Rates. Other smaller revenue grants are shown as income in arriving at net expenditure, and can be matched against specific items of expenditure.

## **18. Redemption of Debt**

Throughout 2015/2016 the Group had no external debt. Under prevailing regulation, the Group is not debt free and therefore there is a requirement to make a provision for principal repayments through the Minimum Revenue Provision (MRP), (see Charges to Revenue for Non-Current Assets above).

## **19. Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with Surrey County Council. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Investments are held on the Balance Sheet as cash equivalents if: the investments are readily convertible to a known amount of cash, they are subject to insignificant risk of changes in value and, have a short maturity of three months or less from the date of acquisition. Investments held by Surrey County Council on behalf of the Group are classified as cash equivalents as they are low risk, short term and readily available.

## **20. VAT**

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

## **21. Financial Instruments**

### **Financial Instruments – Financial Liabilities**

Financial liabilities are initially measured at their fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. Short term financial liabilities such as trade creditors and cash overdrawn are measured at the original invoice amount as a proxy for fair value.

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

### **Financial Instruments – Financial Assets**

The PCC's financial assets are classified as:

- Loans and Receivables i.e. assets that have fixed or determinable payments but are not quoted in an active market, and
- Financial Assets at fair value through profit or loss – assets purchased with the intention of selling in the near term, part of a short term profit-taking portfolio, or derivatives.

## **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. Short term financial assets such as trade debtors, cash and loan investments are measured at the original transaction or invoice amount as a proxy for fair value.

## **Financial Assets at Fair Value through Profit or Loss**

Assets at fair value through profit or loss are initially measured and carried at fair value. Where the fair value cannot be measured reliably, the instrument is carried at cost less any impairment losses. Changes in fair value recorded in the Balance Sheet are balanced by posting gains and losses to the Comprehensive Income and Expenditure Statement as they arise.

Where an asset is identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains or losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Until 2006/07, a scheme was in place that enabled police officers to apply for a loan which could only be used towards the purchase of a property. Only advances made after 1st April 2007 are classified as assets at fair value through profit or loss. Assets at fair value through profit or loss are revalued at a minimum every 5 years.

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

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

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

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

## **23. 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.

### **CAPITAL EXPENDITURE**

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

### **CAPITAL PROGRAMME**

A statement of proposed capital projects for current and future years.

### **CAPITAL RECEIPTS**

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

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

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

### **CREDITORS**

Individuals or organisations, to whom the PCC owes money at the end of the financial year.

### **CURRENT SERVICE COST (PENSIONS)**

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

### **CURTAILMENT (PENSIONS)**

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

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

### **DEBTORS**

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

### **DEFINED BENEFIT SCHEME**

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

**EXPECTED RATE OF RETURN ON PENSION ASSETS**

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

**FAIR VALUE**

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

**FINANCE LEASE**

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

**GENERAL FUND BALANCES**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**IMPAIRMENT**

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

**INTANGIBLE ASSETS**

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

**INTEREST COSTS (PENSIONS)**

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

**INVESTMENTS (PENSION FUND)**

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

**LIQUID RESOURCES**

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

**MINIMUM REVENUE PROVISION (MRP)**

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

**NET BOOK VALUE**

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

**NET CURRENT REPLACEMENT COST**

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

**NON-CURRENT ASSETS**

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

**OPERATING LEASE**

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

**PAST SERVICE COSTS**

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

**POLICE GRANT**

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

**PRECEPT**

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

**PROJECTED UNIT METHOD**

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

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

**PROVISION**

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

**RELATED PARTIES**

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

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

**RELATED PARTY TRANSACTION**

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

**RESIDUAL VALUE**

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

**REVENUE SUPPORT GRANT**

Central Government grant supporting the cost of public services.

**SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

**SETTLEMENT (PENSIONS)**

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

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

**WORK IN PROGRESS/ASSETS UNDER CONSTRUCTION**

Completed and continuing work required on an incomplete project.