

# **Surrey Police**

# **Chief Constable**

## **Statement of Accounts for**

## **the year 2017/18**



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# Narrative Report

## 1. Introduction

The purpose of this narrative report is to provide a guide to the most significant matters reported in the 2017/18 Financial Statements for the Chief Constable for Surrey Police. The narrative report explains the purpose of the Financial Statements and a summary of the financial activities and the financial position as at 31<sup>st</sup> March 2018.

Surrey is a county in the South East of England, covering 644 square-miles, with one county council, 11 boroughs/districts and five major hospitals. It has 62 miles of motorway, including the busiest M25 stretch. Surrey's rivers include the Thames (notable flooding risk); the county is 73% greenbelt. Surrey borders the UK's busiest two airports. It is the most densely populated county in South East England with a population of 1.2 million. The Olympic legacy increased the sporting footprint, with national cycling competitions and the country's largest one-day sporting event (Epsom Derby).

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

Policing has become more complex; crime is changing and new demands are made of Surrey Police, this requires new ways of working along with new ways of leading. Surrey Police continues to work more closely with other forces, other agencies and with its communities to find new ways of managing demand and improving efficiency. As an example in July 2017 Surrey Police re-launched the Policing Matters campaign, increasing public awareness on policing demands.

## 2. The Chief Constable & Police and Crime Commissioner

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

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

This Statement of Accounts includes all the financial transactions incurred during 2017/18 relating to the Chief Constable. The consolidated Group position including the Chief Constable and PCC, have been prepared in a separate Statement of Accounts.

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

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

The Chief Constable incurs all operating costs (excluding those relating to the OPCC) and receives any associated operating income, the net of which is 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.

### **3. The Statement of Accounts**

The Financial Statements, which follow this narrative report have been prepared in accordance with the CIPFA Code (Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 Based on International Financial Reporting Standards) issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and comprise of:

- Movement in Reserves Statement. This statement shows the movement in the year on the different reserves held analysed into 'usable reserves' and other reserves.
- Comprehensive Income and Expenditure Statement. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. Expenditure in accordance with regulation is shown in the Movement in Reserves Statement.
- Balance Sheet. This statement shows the value as at the 31st March 2018 of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by usable or unusable reserves.
- Cash Flow Statement. This statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. The Chief Constable does not manage any of these transactions and accordingly this statement does not show any figures. Movements of monies are included in the PCC's Statement of Accounts.

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

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

### **4. Financial Arrangements**

#### **Setting the Budget**

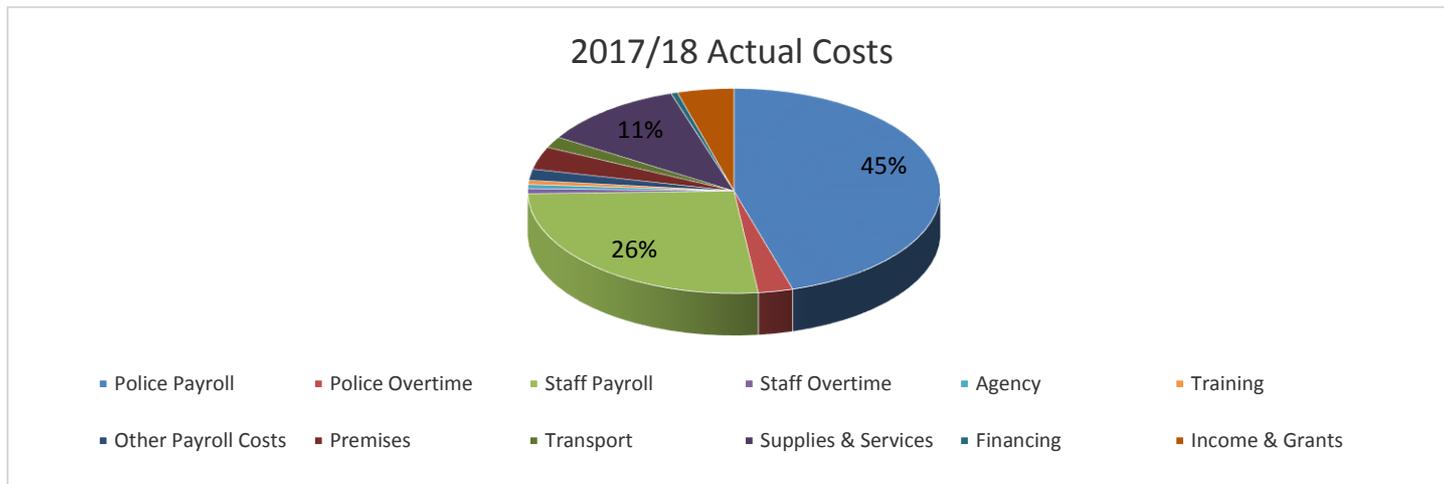
The PCC sets the annual budget for the Group in consultation with the Chief Constable. The PCC Group gross revenue budget (or operating budget) for 2017/18, was set at £213.0m (2016/17, £212.6m) of which £211.0m was attributed to policing under the direction of the Chief Constable for the year, the remaining gross revenue budget being attributed to the cost of administering the Office of the PCC.

#### **Final Outturn**

Overall the Group expenditure for 2017/18 totalled £213.4m (2016/17, £212.4m), resulting in a £0.4m overspend being charged to General Balances. Actual expenditure attributable to policing under the direction of the Chief Constable was £211.5m (2016/17, £210.5m), resulting in a £0.5m overspend.

The chart below shows the actual expenditure for the Chief Constable, along with a table comparing actual expenditure to budget for 2017/18 by cost type. The Chief Constable was

over establishment for police officers for the year, which along with an overspend on police overtime was offset with an under establishment within staff costs. These variances would have resulted in a balanced position, however the resulting overspend is attributable to the Home Secretary awarding police officers a 2% pay increase during the year, when a 1% increase was budgeted for.



	<b>2017/18</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
Police Payroll	104.3	105.4	1.1
Police Overtime	4.2	6.3	2.1
Staff Payroll	64.2	61.4	(2.8)
Staff Overtime	1.6	1.8	0.2
Agency	0.6	1.5	0.9
Training	1.8	1.5	(0.3)
Other Payroll Costs	3.5	4.1	0.6
Premises	9.3	8.3	(1.0)
Transport	4.6	4.1	(0.5)
Supplies & Services	24.6	26.2	1.6
Financing	0.8	1.2	0.4
Income & Grants	(8.5)	(10.3)	(1.8)
<b>Chief Constable's Expenditure</b>	<b>211.0</b>	<b>211.5</b>	<b>0.5</b>

Detailed analysis of actual expenditure for the year ended 31st March 2018 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 the period and 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.

	2017/18
	Net Expenditure £m
<b>Cost Of Services</b>	<b>244.6</b>
<b>Other Operating Expenditure</b>	
Levies	0.6
Intra-group funding	(237.6)
<b>Financing and Investment Income and Expenditure</b>	
Pension Interest Cost	49.6
<b>(Surplus) or Deficit on Provision of Services</b>	<b>57.2</b>

The table below reconciles Chief Constable's operational expenditure for 2017/18 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.

	2017/18
	£m
<b>Operational Delivery Net Expenditure per revenue outturn management report 2017/18</b>	<b>211.5</b>
<b>Reserve and Provision transfers outside (Surplus) or Deficit on Provision of Services:</b>	
Usable Reserves	0.1
Financial year end accounting adjustments	(1.5)
<b>Amounts in the CIES not in the outturn report:</b>	
Depreciation & amortisation	7.4
Pensions	27.1
<b>Net Cost of Services</b>	<b>244.6</b>
Intra-group Adjustment from PCC to CC for resources consumed at the request of the Chief Constable	(237.6)
Pension Interest costs and expected return on pension assets	49.6
Levies	0.6
<b>(Surplus) or Deficit on Provision of Services</b>	<b>57.2</b>

## 5. Employee Pension Schemes

Employees of Surrey Police are able to join a pension scheme. For police staff the Local Government Pension Scheme (LGPS) is available and police officers can join the Police Pension Scheme. They are both defined benefit schemes, but differ in their operation. A fuller explanation is provided in the Notes to the Financial Statements. Although benefits from these schemes will not be payable until an officer or staff member retires, the PCC Group has a future commitment to make these payments and under International Accounting Standard 19 (IAS 19), the PCC Group is required to account for this future commitment based on the full cost at the time of retirement. The result of accounting for this commitment has a substantial impact on the net worth of the Balance Sheet, resulting in a negative pension reserve on the Balance

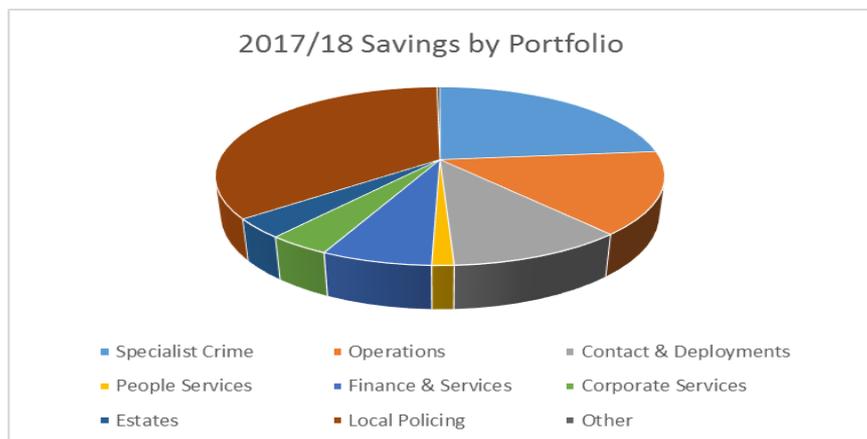
Sheet totalling £1,928.2m. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable remains healthy.

The value of the police staff pension scheme is assessed triennially when the employer's contribution is adjusted in line with the actuary's recommendations. The latest triennial valuation completed in April 2016 resulted in employer's contributions being decreased in April 2017 from 17.7% to 14.5% with an increase in an additional payment to the pension fund to pay the deficit, known as the additional monetary amount.

For the police officers pension fund, the employer's contribution rate is presently set at 21.3% with an additional 2.9% payable as an additional contribution. Under current legislation, any costs that are over or under the employer's contribution are met by the Home Office or returned to them.

## 6. Further Information

Surrey Police continues to undertake significant change activity through the Policing Together programme with Sussex Police, and also with other forces in the South-East region, in order to meet the financial challenges, increase resilience and improve service delivery. The actual savings programme and budget reductions for 2017/18 totalled £5.7m shown by portfolio in the chart below.



The Specialist Crime Capabilities Programme and the new operating model both delivers savings and provides opportunities for wider collaboration with the region in the future. Implementation of the fully collaborated Investigations and Intelligence functions is currently underway.

The detailed design of the new operating model for Operations command has been agreed and implementation planning is now underway. This will provide further savings and interoperability, whilst maintaining resilience and providing an effective service to the public of both forces.

A single Change Delivery function for Surrey and Sussex is being implemented to ensure that the Forces are well positioned to be able to deliver their change strategies both individually, bilaterally and within the region.

The majority of services within the Support Services functions are collaborated including; Procurement, Insurance, Transport, People Services, Information & Communication Technology, and Finance. Further work is ongoing to develop a Shared Business Service Centre along with the implementation of the new Enterprise Resource Planning (ERP).

The Tri-Force programme team continues to implement the new ERP system for Surrey, Sussex and Thames Valley Police, which will underpin much of the support services collaboration activity. This project also links in with further regional integration overseen by the South East Region Integrated Policing (SERIP) programme.

The Digital Enablement Programme continues to coordinate work on five key priorities: Mobile Data, Niche, Public Facing Digital Services (Community Messaging, Online Crime Reporting and Track My Crime) and Body Worn Video and the Joint Intranet. Whilst the Force has used Mobile Data devices for a number of years a rolling programme focusses on updating these devices and enhancing their capabilities through additional interfaces.

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

Future savings are in development with the search for a new Force headquarters site as part of a long-term estates programme. The project is expected to take at least four to five years to complete, including plans to dispose of current outdated and costly buildings and creating a modern and cost-effective estate that will allow the Force to meet the challenges of modern policing.

Surrey Police began piloting the National Volunteer Police Cadet (VPC) scheme in autumn 2016 and now has six units running across the county, with plans to expand further in the future. Each of these units are led by a volunteer leadership team consisting of Police Officers, Police Staff, Special Constables and Police Support Volunteers who all give up their own time on top of their day roles to run the sessions. The scheme is designed to provide a safe environment in which young people can learn as individuals, develop positive relationships with the police and actively support their community. National objectives for the scheme include Cadets that represent the diversity of their community, an aim to recruit 25% from a vulnerable or disadvantaged background, and offering a diversionary opportunity to those who are most in need of it.

All police forces are inspected by Her Majesty's Inspectorate of Constabulary (HMIC) and during the year Surrey Police was rated overall as good for effectiveness, efficiency and legitimacy. HMIC also recognised the Force's performance in keeping people safe and reducing crime.

## **7. Financial Outlook**

The financial statements are prepared on the assumption that the Chief Constable for Surrey Police is a going concern, meaning that it will continue to operate for the foreseeable future. The CIPFA Code states that government changes should not be seen as having a detrimental impact on a local authority continuing as a going concern. In addition to this an authority cannot be created or dissolved without statutory prescription, and accordingly must prepare their financial statements on a going concern basis of accounting.

Unusable reserves on the balance sheet include the large negative pension reserve which is mainly due to the police pension schemes being unfunded. The statutory arrangements for funding the liability mean that the Chief Constable's financial position remains sound.

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

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

The annual revenue budget for 2018/19 was set by the PCC at £214.6m, this included a static central grant provision, and raising the local precept by the maximum of £12 per Band D property. The grant settlement was an improvement on the previous pledge of government when the Chancellor stated Police Forces will have the same cash level over the next four years. The Home Office have also offered to continue the static grant and precept flexibility for 2019/20 subject to meeting productivity, efficiency measures and increasing transparency on Forces Reserves Strategy.

Details of the PCC's plans for revenue and capital expenditure in 2018/19 budget can be found in the Surrey Police and Crime Commissioner's Precept Setting proposal. Whilst the annual budget is agreed by the PCC it is scrutinised by the Police and Crime Panel before a final decision is made. Copies of the documents can be obtained from the Office of the Police and Crime Commissioner for Surrey by telephoning: 01483 630200, or from the website at [www.surrey-pcc.gov.uk](http://www.surrey-pcc.gov.uk).

A handwritten signature in black ink, appearing to read 'Paul Bundy', with a stylized flourish at the end.

**Paul Bundy, Chief Finance Officer**

**Date: 27<sup>th</sup> July 2018**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of the Chief Constable for Surrey (the 'Chief Constable') for the year ended 31 March 2018 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and including Surrey police pension fund financial statements comprising the Pension Fund Account, the Net Assets Statement and the notes to the Surrey police pension financial statements. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Who we are reporting to**

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Chief Constable obtained in the course of our work including that gained through work in relation to the Chief Constable's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable gained through our

work in relation to the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Chief Constable and the Chief Finance Officer for the financial statements**

As explained more fully in the Statement of Responsibilities, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Chief Constable.

The Chief Constable is Those Charged with Governance.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements - Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Chief Constable* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### **Responsibilities of the Chief Constable**

The Chief Constable is responsible for putting in place proper arrangements for securing 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.

### **Auditor's responsibilities for the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Chief Constable in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

***Iain Murray***

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

30 Finsbury Square  
London  
EC2A 1AG

30 July 2018

## Statement of Responsibilities

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

The Chief Constable is required:

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

I approve these Statement of Accounts for the year ended 31 March 2018.



**Nick Ephgrave**  
Chief Constable of Surrey Police

Date: 27<sup>th</sup> July 2018

### The Responsibilities of the Chief Finance Officer

The Chief Finance Officer 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 Chief Finance Officer has:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Surrey Police at the accounting date and the income and expenditure for the year ended 31 March 2018.



**Paul Bundy**  
Chief Finance Officer for Surrey Police

Date: 27<sup>th</sup> July 2018

## Annual Governance Statement

The Chief Constable is required by the Accounts and Audit (England) Regulations 2015 to produce an annual governance statement which must accompany the statement of accounts. This requirement is reflected in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (Chartered Institute of Public Finance & Accountancy, CIPFA).

### **1. Scope of Responsibility**

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

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

The Chief Constable is also responsible for putting in place proper arrangements for the governance of the Force and for facilitating the exercise of its role, which includes ensuring that arrangements are in place for the management of risk. This statement is designed to complement the annual governance statement of the PCC, to give the full picture of governance.

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

### **2. The Purpose of the Governance Framework**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The framework includes the Scheme of Corporate Governance, Scheme of Delegation, Financial Regulations and Contract Standing Orders. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Force's policies, aims and objectives. The system is also designed to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place within Surrey Police for the year ended 31st March 2018 and up to the date of approval of the Annual Statement of Accounts 2017/18. All governance documents were updated and approved in November 2017 and are available on the Police and Crime Commissioners website.

### 3. The Governance Framework

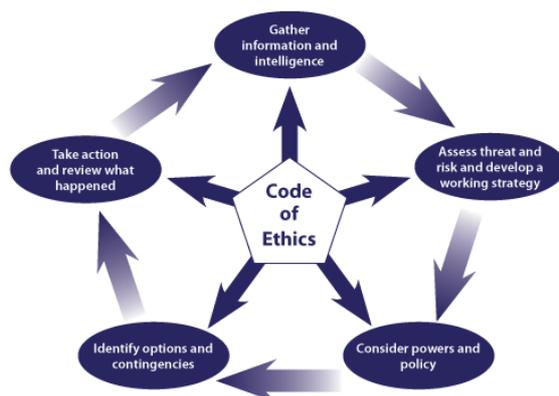
The CIPFA Framework sets out seven principles of good governance which are taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014)

#### A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Surrey Police has adopted the College of Policing Code of Ethics which sets out the principles and standards of behaviour expected from police professionals. It applies to all individuals working in policing. The Code includes 9 principles which underpin and strengthen existing procedures and regulations to ensure standards of professional behaviour for both police officers and staff.

Managers and supervisors at all levels of the Force are expected to set an example and to challenge any behaviour that does not meet the Code of Ethics and to clearly communicate the Force's values, standards, expectations and priorities.

The Code of Ethics underpins and is central to the National Decision Model and is included in all learning material and in selection and promotion processes. It is included on investigators notebooks and pocket books as an aid to regular use and thinking as well as dedicated Intranet pages and posters promoting the principles of the Code of Ethics.



The Force has an Equality, Diversity and Human Rights (EDHR) strategy in place which is overseen by the EDHR Board. The strategy includes a plan linking EDHR aims, objective and outcomes to the overall Force vision and priorities.

Whistleblowing policies are in place which are published on the Surrey Police website along with the Anti-fraud and Corruption Policy. This also incorporates "Anonymous Contact", a confidential and independent web based reporting system. The Professional Standards Department publishes divisional and Independent Police Complaints Commissions (IPCC) reports, detailing the results and lessons learnt for complaints and investigations to further provide guidance to all employees. The Force also has in place arrangements for the reporting of all financial irregularities, ensuring all reports are conveyed to senior Force managers and to the Section 151 Officer, in line with Financial Regulations.

Crime Data Integrity is monitored at the Strategic Crime and Incident Recording Group, whereby ethical application of the Home Office Counting rules is monitored, through the Data Quality Action Plan.

Freedom of Information Act requests are processed in accordance with the Act, likewise with Data Protection matters and those directed by the Court.

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

To ensure compliance with the relevant laws, regulations and policies, portfolio leads at Superintendent level are in place to ensure that relevant control systems within their area of responsibility are operating effectively. NCALT learning packages are also in place to support training in areas such as data protection legislation.

The Force regularly publishes data, such as chief officer expenses, gifts and hospitality, and business interests, to comply with public sector transparency requirements.

The Procurement Board includes representation from both Surrey and Sussex Forces and PCC Offices overseeing all procurement activity for contracts in excess of £50,000 (goods and services) and all consultancy agreements of £5,000 and above conducted on behalf of the PCC. The regulations that govern the expenditure activity are those determined by European and UK Law, together with those set out within the Contract Standing Orders for expenditure below EU tendering thresholds.

The Legitimacy Board and Assistant Chief Constable (ACC) for Operations hold divisions and departments to account for a range of issues including Use of Force, Stop and Search, use of Section 63 Road Traffic etc. To link operational activity, complaints, feedback and any disproportionality in the use of powers with training, community engagement and outcomes from the use of force.

## **B Ensuring openness and comprehensive stakeholder engagement**

The Police and Crime Commissioner publishes the Police and Crime Plan. This is informed by public expectations of policing and safety; it does not set targets. Surrey Police reports on progress against the Police and Crime Plan at alternate public webcast, and private scrutiny, PCC Management Meetings which occur every 6 weeks. The Chief Constable and other Chief Officer Group members attend these meetings to report on progress, and relevant documents are provided, which are available on the PCC's website. There is also a joint PCC Governance Board with Sussex, which has oversight of all joint change activity and provides the ultimate sign-off for implementing collaborative functions and cost sharing within the two forces.

There is a quarterly neighbourhood survey, as well as monthly Victim Satisfaction surveys for both Anti-Social Behaviour and Crime, and ad hoc public surveying through social media on specific issues. Stakeholder engagement is built into all key communication strategies with stakeholders and the public encouraged to sign up to In The Know to receive regular updates from us. There has been increased use of In the Know by the Force over the last year and we are now reaching 93% of the 9000+ contactable users that we have on InTheKnow database. The Force also engages with Independent Advisory Groups, these are partnerships within sections of the community, to encourage the active involvement of people from diverse groups.

A new engagement guide was produced to explain to stakeholders and interested members of the public what they can expect from us and this is supported by updated local engagement plans and policy and procedures. There are communication strategies on a range of issues in support of the Force Priorities such as domestic abuse and child sexual exploitation.

Our social media accounts continue to be widely used at both corporate and at a local neighbourhood level to provide updates, crime prevention advice and opportunities for engagement with all key news stories also published on our website and sent to the media. This includes proactive transparency where there are negative issues about the Force such as officer misconduct. The effectiveness of public information is reviewed on a monthly basis and continual improvement made each month as a result of this process. In the year ahead we will be delivering an increase in internal training on our social media accounts to frontline staff to

continue to ensure we have interesting and regular content for the public about what the Force is doing and what the public need to be aware of.

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

The Chief Constable's 'Plan on a Page' sets out the force vision and purpose in accordance with the PCC's Police and Crime Plan.

The Force has a five year Medium Term Financial Plan which is regularly reviewed to deliver the Force Business Plan, also taking into account external factors such as inflation, borrowing costs, and Home Office funding.

The Strategic Risk and Learning Group have the overarching governance for risk, including risks identified through the other boards i.e. Crime Performance Board. This board also monitors Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) activity and recommendations as well as identifying organisational learning opportunities and legal governance.

The Force has continued to review the key functions, departments and activities, to ensure that the delivery of all elements of policing are effective and efficient. Joint working opportunities continue to be actively pursued at a local, regional and national level. This has resulted in a number of policing services being delivered in collaboration with other organisation and bodies, particularly with the Sussex PCC and Sussex Police.

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

This principle is underpinned with the annual review of the governance framework which is in place and consistent with the principles of the CIPFA/Society of Local Authority Chief Executives (SOLACE) Framework, 'Delivering Good Governance in Local Government'. The Force and Office of the PCC review the key governance documents in collaboration with Sussex Police and oversight from the Joint Audit Committee.

There are a range of communication strategies supporting force priorities. There is also a communication planner to ensure that there is regular and focused communication with the public that support these. Public campaigns are aligned to performance and corporate priorities, and evaluation is reported into the Crime Performance Board. There is a monthly Corporate Communications performance meeting which governs how effective internal and external communication is, with a focus on what action is taken to continue improving effectiveness.

Risk management policy and procedure is published and scrutinised by the internal auditors annually with regular risk updates into both the PCC Performance meeting and Joint Audit Committee. Aspirations are agreed at the Crime Performance Board and monitored monthly.

There is robust scrutiny of the Force's Policing in Your Neighbourhood and other change programmes, ensuring that significant and complex change programmes are monitored, reviewed and delivered effectively.

Victim satisfaction surveys are completed monthly to monitor service delivery outcome satisfaction.

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

The Workforce Plan identifies the future workforce mix and profile requirements. This is reviewed quarterly through the Workforce Capability and Capacity Board; the requirements for this feed the annual promotion calendar.

Each local area has created local talent groups that support the development of future leaders and specialist experts. In addition there is an annual review to identify critical roles and the operational/technical skills required, and each local area discusses and maps succession plans for these specific roles. An environmental scanning working group is in place to explore external and future changing environmental factors that will impact on mid to long term workforce requirements.

A leadership programme has been set up across both Surrey and Sussex forces to deliver a comprehensive and joined up approach to leadership. A leadership strategy and framework has been developed and agreed based on the national Competency and Values Framework. It has been applied in recent Chief Superintendent and Superintendent promotion processes and its wider launch and publication is imminent. The leadership programme is a collection of projects aimed to increase capability in good leadership for officers and staff across Surrey and Sussex. It will also aim to embed a culture that focuses on good leadership as a lever to effective performance. A leadership / Continuous Professional Development (CPD) online platform has been implemented to enable a self-initiated element of a blended learning approach to leadership development.

Policies and procedures for the appropriate training and development of all employees are in place which are supported by the Learning and Development Strategy.

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

The second staff survey conducted jointly across Surrey and Sussex as part of Durham University's national UK Policing research project was conducted over 4 weeks at the end of September, concluding in October 2017. The theme of the survey was Leadership, Wellbeing and Organisational Justice.

The Wellbeing strategy has identified a number of wellbeing priorities and these will be reviewed annually. It has been launched in both Surrey and Sussex and sets out the wellbeing priorities for the year which have been determined by data and consultation with the Extended Chief Officer Group. The Wellbeing Board has been established which includes representatives from both forces as well as Federation and UNISON. The Terms of Reference for this allows for the wellbeing concerns of the workforce to be fed up to this group which will help shape activity.

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

Strategic direction and priorities are set by the Chief Officer Group (COG) for Surrey, and the joint Chief Officer Meeting (COM) for matters across Surrey and Sussex. The Extended Chief Officer Group, which includes the Chief Superintendents and Heads of Department, provides a forum to agree changes to policy and practice, and maintain oversight of financial and workforce planning.

There are also a number of governance forums which oversee change and improvement activity. The joint Change Board oversees business case development and delivery of all change projects and programmes across Surrey and Sussex Police. The Change Board has been supported in this by other force governance boards, which have changed and developed through the year as part of a governance review. Until September 2017 the Joint Investment Board provided financial scrutiny of change business cases and advised the Change Board accordingly. In June 2017 the Change Prioritisation & Resourcing (CPR) meeting was introduced to look at new and ongoing change initiatives, assess them against strategic fit, consider resource availability and make recommendations to Change Board on prioritisation. The CPR meeting was then developed into the Change Assessment Board (CAB) which performs a Gatekeeper role by maintaining a focus on delivery of change plans, ensuring all investment

and change decisions are considered for strategic fit and interdependencies across the wider change plan, reviewing and prioritising new initiatives and resolving alignment issues. CAB then provides recommendations to Change Board on the suitability of business cases for agreement and on delivery priorities.

Joint business cases which involve cost sharing arrangements are submitted to the PCC Governance Board for final sign off, as required within the Scheme of Delegation. This meeting also reviews and signs-off changes and updates to the Section 22A Collaboration Agreement between Surrey and Sussex, which describes how joint services are operated.

Some priority Surrey only projects, for example Building the Future, are also scrutinised and agreed at the Extended Chief Officer Group in order to provide consultation, and ensure full visibility and agreement, amongst the senior managers in the Force.

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

The Force holds a monthly Crime Performance Board which is chaired by the Deputy Chief Constable. Key areas of operational performance risk are presented and reviewed by the Board and Chief Superintendents are held to account for performance in their areas of responsibility. To support the Crime Performance Board a new performance governance framework has been developed aligned under Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) PEEL inspection framework. This includes boards which consider legitimacy, efficiency and effectiveness.

Management Accounts and the Medium Term Financial Plan are published on a regular basis to Senior Management and COG. In addition, this financial information is also presented at the scrutiny PCC Management Meetings and to the Police and Crime Panel. The Police and Crime Panel scrutinises the PCC, to promote openness in the transaction of PCC business and also to support the PCC in the effectiveness of his functions. The quarterly Finance Planning and Performance Board also has oversight of the management accounts, along with holding budget holders to account.

The Risk Management Strategy has been developed and implemented to collate all internal and external organisational risk intelligence, to evaluate risk using a standard corporate methodology and to develop appropriate control strategies along with on-going monitoring of progress and impact. COG is responsible for owning and managing Force risks that are considered 'high risk' and also undertake joint responsibility with the PCC on shared risks. The Strategic Risk and Learning Group is the gateway meeting chaired by the Deputy Chief Constable which reviews all Force risks and ensures that the control measures are effective.

The Policy and Procedure Team oversees policy, procedures and guidance in all areas except guidance for People Services which is held and managed separately within the Information Hub. The Policy Unit maintains the Force's 'Policies and Procedures Database'.

The Force has in place procedures for dealing with complaints from any individual or authority. All complaints under the Police Reform Act are recorded by the Professional Standards Department. All complaint handling is in accordance with the Independent Police Complaints Commissions (IPCC) Statutory Guidance 2010, pursuant to Section 22 Police Reform Act 2002.

Lessons learnt from complaints are considered during and on completion of an investigation. These are formalised by the Strategic Risk and Learning Group enabling the Force to identify areas for improvement and in particular consider additional training requirements. A quarterly report detailing the Force's performance in respect of complaints and misconduct is provided to the PCC.

Performance is managed through local SMT performance meetings, divisional and departmental. There is a Volume Crime and Victim Care board that monitors performance and capability and the Force Crime Managers Meeting, ultimately the Force performance meeting is

the Crime Performance Board chaired by the Deputy Chief Constable. The Chief Constable has also further scrutinised local divisional performance with Chief Superintendents.

The Chief Information Officer acts as the Senior Information Risk Officer (SIRO) on behalf of the Chief Constable. Data protection and information management policies and strategy are in place respectively and these are available to all staff via the Information Hub. Data Protection NCALT training is mandated to be completed yearly by the Force. The Surrey Police website has clear links to 'Information Rights' for everyone and policies are published for public view on the website.

The Information Access Team processes all court orders, Freedom of Information requests and Data Protection Act (DPA) requests on behalf of the Chief Constable. The performance of this team is monitored by the SIRO on a bi-monthly basis.

Information sharing protocols have been developed for sharing information with third party organisations, where there is not a contract in place. These again are centrally stored and accessible via the Information Hub.

The Force Crime Registrar reports monthly on Crime Data Integrity Matters to the Deputy Chief Constable via the Strategic Crime and Incident Recording Group.

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

Until December 2017 the Service Quality Department was responsible for carrying out reviews of specific business areas, as directed by COG, Strategic Risk and Learning Group with commissions also taken from the Crime and Performance Board. The team reviewed best practice or areas for improvement, with the aim of improving organisational performance and developing more effective guidance. These reviews can cover specific issues based on policy or procedures, in-depth inspections in a particular part of the Force or any other area that requires attention. This function has now been passed to the organisation to consume rather than a standalone review function.

Post implementation reviews are carried out following the closure of all change programmes, which are reported to the Change Board. The review documents include any lessons learnt and also establish whether the changes introduced achieved the expected benefits.

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

The review of effectiveness is informed by all senior managers signing an Annual Management Assurance Statement. In so doing, managers are confirming that, to the best of their knowledge; they are satisfied that controls have been operating effectively during the year across their areas of responsibility and that there are no control breakdowns of which they are aware. In addition, comments made by both the Internal and the External Auditors and other review agencies and inspectorates inform this review.

### **Internal Audit**

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

The CIPFA code requires Internal Audit to provide an opinion on the overall adequacy and effectiveness of the governance framework. That opinion is provided below and is based on

the work undertaken by the Internal Auditors in 2017/18 completed in line with the Audit Plan referred to above.

### **Internal Audit opinion**

For the 12 months ended 31 March 2018, the Head of Internal Audit opinion for Surrey Police Force is as follows:

The organisation has an adequate and effective framework for risk management, governance and internal control. However, the work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Governance - We completed an advisory review of the Fire Governance Project which has informed our opinion on governance. This review was undertaken whilst the project was in its infancy, and therefore was focussed on looking at the design of the project governance and management arrangements. We noted a number of positive observations with the project initiation and governance arrangements, and presentation of the options analysis to close out phase 1. We have drawn on our knowledge from attendance at the Joint Audit and Risk Committee, as well as consideration of governance arrangements during a number of the internal audits below in order to inform our opinion on Governance for the Force.

Risk Management - Our risk management opinions were informed by the assessment of the risk mitigation procedures undertaken in the areas covered by our risk-based reviews in the following areas:

- IT reviews;
- Proceeds of Crime Act;
- Tasers; and
- Evidential Property.

We issued reasonable assurance opinions for the Proceeds of Crime Act, IT governance and Tasers audits. For the Proceeds of Crime Act we raised one high, two medium and two low priority actions, for IT governance we raised seven medium and two low priority actions and for Tasers we raised one high, two medium and four low priority actions.

Our review of Evidential Property resulted in a no assurance opinion. We have agreed three 'High', seven 'Medium' and three 'Low' priority management actions with regards to the design and application with the control framework. We completed a follow up of this area and found the Force had implemented six of the 13 actions agreed in this area. Of the remaining seven, three were not due and we were able to confirm that the other four were all in the process of being implemented.

Furthermore, through attendance at the Joint Independent Audit Committee we confirmed the organisations' risk management arrangements continued to operate effectively and were adequately reported and scrutinised by committee members.

Control - We undertook seven audits of the control environment that resulted in formal assurance opinions. These seven reviews concluded with one no assurance (negative) opinion, one partial (negative) assurance opinion, four reasonable (positive) assurance and one substantial assurance (positive) opinion. We identified the organisations had established controls frameworks in place for a number of the audits undertaken, however improvements in their application was required in a number of areas.

The implementation of agreed management actions raised during the course of the year are also a contributing factor when assessing the overall opinion on control. We have performed two Follow Up reviews during the year which concluded in little and poor progress being made towards the implementation of those actions.

## **Other explicit review/inspection mechanisms**

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

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

Surrey Police is reviewed on an ongoing basis by HMICFRS, who independently assesses police forces across policing activity.

During 2017/18 the following inspections were carried out:

- PEEL – efficiency, legitimacy and leadership
- PEEL – effectiveness
- Criminal Justice Joint Inspection (out-of-court disposal work in youth offending teams)

## **Significant Governance Issues**

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

### **Areas for improvement**

#### **2016/17 Update:**

During 2016/17 Internal Audit issued partial opinions for audits relating to; Savings Plan, Strategic Planning and Budgeting, Crime Recording, Public Service Network (PSN), Vetting and Staff Experience.

There were six recommendations relating to the Savings Plan (1 rated high), with the exception of 1 medium rated recommendation, all have now been implemented.

The Strategic Planning and Budgeting review contains four recommendations (1 high) which have all been implemented and will be followed up by internal audit in due course.

There was one high recommendation within the Crime Recording review that is considered superseded and will be followed up by internal audit.

There were six medium recommendations in the PSN review, with the exception of 2 medium rated recommendation, all have now been implemented and followed up by internal audit.

The Vetting review included 2 recommendations (1 high, 1 low), both of which have been implemented and followed up by internal audit.

The Staff Experience included 6 recommendations, all of which have been implemented and will be followed up by internal audit in due course.

#### **2017/18 Update:**

During 2017/18 Internal Audit issued a no assurance opinion for the Evidential Property review with 13 recommendations being made (3 high, 7 medium and 3 low). The current status of these recommendations are that 6 have been implemented, 4 are ongoing and 3 are not yet due, a further review is planned to be carried out during 2018/19.

Partial assurance was given for the Mandatory Training review, 1 medium recommendation has been implemented and the others (2 high & 2 medium) are due for implementation later this year.

The detailed IT plan continues to be refined in liaison with Thames Valley Police and Hampshire Constabulary via the South East Regional IT Programme (SERIP).

Following concerns reported last year within the Joint Finance Team a gold group continues to oversee improvements required in processes used by the team, along with enhancing scrutiny of the internal management accounts.

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



Nick Ephgrave  
Chief Constable

Date: 27<sup>th</sup> July 2018



Paul Bundy  
Chief Finance Officer

Date: 27<sup>th</sup> July 2018

## Movement in Reserves Statement

	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2017</b>	0	0	1,869,384	<b>1,869,384</b>
<b>Movement in reserves during 2017/18</b>				
(Surplus) or deficit on the provision of services	57,205	<b>57,205</b>		<b>57,205</b>
Other Comprehensive Income / Expenditure			2,238	<b>2,238</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>57,205</b>	<b>57,205</b>	<b>2,238</b>	<b>59,443</b>
Adjustments between accounting basis and funding basis under regulations	(57,205)	<b>(57,205)</b>	57,205	<b>0</b>
<b>Increase or Decrease in 2017/18</b>	<b>0</b>	<b>0</b>	<b>59,443</b>	<b>59,443</b>
<b>Balance at 31 March 2018</b>	<b>0</b>	<b>0</b>	<b>1,928,827</b>	<b>1,928,827</b>

	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2016</b>	0	0	1,487,013	<b>1,487,013</b>
<b>Movement in reserves during 2016/17</b>				
(Surplus) or deficit on the provision of services	45,406	<b>45,406</b>		<b>45,406</b>
Other Comprehensive Income / Expenditure			336,965	<b>336,965</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>45,406</b>	<b>45,406</b>	<b>336,965</b>	<b>382,371</b>
Adjustments between accounting basis and funding basis under regulations	(45,406)	<b>(45,406)</b>	45,406	<b>0</b>
<b>Increase or Decrease in 2016/17</b>	<b>0</b>	<b>0</b>	<b>382,371</b>	<b>382,371</b>
<b>Balance at 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>1,869,384</b>	<b>1,869,384</b>

## Comprehensive Income and Expenditure Statement

2016/17				2017/18		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
106,240	0	106,240		125,498	0	125,498
6,568	0	6,568		6,276	0	6,276
64,426	0	64,426		71,089	0	71,089
1,606	0	1,606		1,841	0	1,841
2,305	0	2,305		1,526	0	1,526
1,736	0	1,736		1,856	0	1,856
5,443	0	5,443		1,478	0	1,478
9,003	0	9,003		8,348	0	8,348
23,080	0	23,080		26,076	0	26,076
4,675	0	4,675		3,439	0	3,439
9,082	0	9,082		7,397	0	7,397
0	(8,063)	(8,063)		0	(10,244)	(10,244)
<b>234,164</b>	<b>(8,063)</b>	<b>226,101</b>		<b>254,824</b>	<b>(10,244)</b>	<b>244,580</b>
0	(234,044)	(234,044)		0	(237,550)	(237,550)
<b>234,164</b>	<b>(242,107)</b>	<b>(7,943)</b>		<b>254,824</b>	<b>(247,794)</b>	<b>7,030</b>
672	0	672	21	612	0	612
60,748	(8,071)	52,677	20	56,627	(7,064)	49,563
<b>295,584</b>	<b>(250,178)</b>	<b>45,406</b>		<b>312,063</b>	<b>(254,858)</b>	<b>57,205</b>
		336,965	17			2,238
		<b>336,965</b>				<b>2,238</b>
		<b>382,371</b>				<b>59,443</b>

## Balance Sheet

31 March 2017			31 March 2018	
£000	Notes			£000
480	09	Short Term Debtors		606
<b>480</b>		<b>Current Assets</b>		<b>606</b>
(493)	10	Short-Term Creditors		(602)
(480)	11	Provisions		(606)
<b>(973)</b>		<b>Current Liabilities</b>		<b>(1,208)</b>
(1,868,891)	17	Other Long-Term Liabilities		(1,928,225)
<b>(1,868,891)</b>		<b>Long Term Liabilities</b>		<b>(1,928,225)</b>
<b>(1,869,384)</b>		<b>Net Assets</b>		<b>(1,928,827)</b>
0		Usable Reserves		0
1,869,384	08	Unusable Reserves		1,928,827
<b>1,869,384</b>		<b>Total Reserves</b>		<b>1,928,827</b>



Paul Bundy, Chief Finance Officer

Date: 27<sup>th</sup> July 2018

## Cash Flow Statement

This statement does not show any cash flows for the year ending 31st March 2018 reflecting all payments being made by the PCC. Similarly, all income and funding is received by the PCC.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
45,406	Net (surplus) or deficit on the provision of services	57,205
(45,406)	Adjustment to (surplus) or deficit on the provision of services for noncash movements	(57,205)
0	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	0
<b>0 Net cash flows from operating activities</b>		<b>0</b>
0 Net cash flows from investing activities		0
0 Net cash flows from financing activities		0
<b>0 Net (increase) or decrease in cash and cash equivalents</b>		<b>0</b>
0 Cash and cash equivalents at the beginning of the reporting period		0
<b>0 Cash and cash equivalents at the end of the reporting period</b>		<b>0</b>

## Note 1 - Critical Judgements in Applying Accounting Policies

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

- Future funding levels – there is a degree of uncertainty about future levels of funding for Police and Crime Commissioners. However, the Group has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Group might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Income & Expenditure – a judgement has been made regarding the recognition of income and expenditure between the Police and Crime Commissioner's and Chief Constable's accounts to reflect financial resources of the Police and Crime Commissioner consumed at the request of the Chief Constable. All income/expenditure is received/paid by the PCC, and no actual cash transaction or events take place between the two entities.
- Comprehensive Income and Expenditure Statement (CIES) - Under CIPFA guidance the CIES is reported on the basis of an authorities' structure, reflecting the way in which the authority operates or manages its services. For Surrey Police the CIES has been set out to show costs subjectively, reflecting the reporting basis for the monthly corporate report that is written for both the Chief Officer Group and the PCC.
- Working capital – 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 under the stage 2 transfer, that came into effect on the 1st April 2014, the Chief Constable holds the contract of employment for the majority of Police Staff, with the PCC holding contracts of employment for the team of staff in his office. A judgement has also been made not to split the Pension Reserve between the Chief Constable and the PCC. Whilst the Pension Reserve includes staff employed within the Office of

the Police and Crime Commissioner it is not considered to be material or likely to influence decision or assessments of users made on the basis of the Financial Statements.

- Accumulated absences - the PCC has to determine whether the leave accrual should be accounted for in the PCC or Chief Constables accounts. As the majority of employee costs are accounted for in 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.

## Note 2 - Events After the Balance Sheet Date

The audited Statement of Accounts were approved by the Chief Constable on 27<sup>th</sup> July 2018. Where events taking place before this date provide information about conditions existing at 31 March 2018, the figures in the financial statements and Notes have been adjusted in all material respects to reflect the impact of this information.

The Chief Constable has no post balance sheet events to report.

## Note 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 Chief Constable about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Chief Constable's Balance Sheet at 31 March 2018 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>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 Governments Actuary's Department have been engaged to provide the Group with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme.	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 2016. 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 2016. The accuracy of the outcome relies on assumptions made in a fragile economy, and actual results may be materially different.

## Note 4 - Prior Year Adjustments

Following the introduction of Police and Crime Commissioners a judgement was made regarding the statutory accounts whereby the PCC receives all income relating to the Group and funds the Chief Constable's expenditure via an intra group adjustment. In practice however smaller operational grants and income are budgeted and accounted for within the department where the costs are incurred, accordingly the income in the statutory accounts has been separated from the intra-group funding transfer and shown within the Cost of Services.

This change has been reflected in the 2017/18 Financial Statements, whilst this adjustment does not impact on the overall PCC Group position it does however impact the individual PCC and Chief Constable statutory accounts which have been adjusted retrospectively in the Comprehensive Income and Expenditure Statement as follows:

2016/2017		2016/2017
£'000		Restated
		£'000
<b>0</b>	<b>INCOME</b>	<b>(8,063)</b>
<b>234,164</b>	<b>Cost of Services</b>	<b>226,101</b>
672	Levies	672
<b>(242,107)</b>	<b>Intra-group funding transfer</b>	<b>(234,044)</b>
<b>382,371</b>	<b>TOTAL COMPREHENSIVE INCOME and EXPENDITURE</b>	<b>382,371</b>

## Note 5 -Expenditure and Funding Analysis

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

Net Expenditure Chargeable to the General Fund Balance	2016/17 Adjustments	Net Expenditure in the Compre- hensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2017/18 Adjustments	Net Expenditure in the Compre- hensive Income and Expenditure Statement	
£000	£000	£000	£000	£000	£000	
67,220	39,020	106,240	Police Payroll	81,048	44,450	125,498
6,568	0	6,568	Police Overtime	6,276	0	6,276
58,040	6,386	64,426	Staff Payroll	58,334	12,755	71,089
1,606	0	1,606	Staff Overtime	1,841	0	1,841
2,305	0	2,305	Agency	1,526	0	1,526
1,736	0	1,736	Training	1,856	0	1,856
5,443	0	5,443	Other Payroll Costs	1,478	0	1,478
9,003	0	9,003	Premises	8,348	0	8,348
23,080	0	23,080	Supplies and Services	26,074	0	26,076
4,675	0	4,675	Transport	3,439	0	3,439
9,082	0	9,082	Depreciation	7,397	0	7,397
(8,063)	0	(8,063)	Income	(10,244)	0	(10,244)
<b>180,695</b>	<b>45,406</b>	<b>226,101</b>	<b>Net Cost of Services</b>	<b>187,375</b>	<b>57,205</b>	<b>244,580</b>
(180,695)	0	(180,695)	Other Income and Expenditure	(187,375)	0	(187,375)
<b>0</b>	<b>45,406</b>	<b>45,406</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>0</b>	<b>57,205</b>	<b>57,205</b>

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

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

<b>2017/2018</b>	<b>General Fund Balance £000</b>	<b>Movement in Unusable Reserves £000</b>
<b>Adjustments to the Revenue Resources</b>		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(57,096)	57,096
Holiday pay (transferred to the Accumulated Absences reserve)	(109)	109
<b>Total Adjustments</b>	<b>(57,205)</b>	<b>57,205</b>

<b>2016/2017</b>	<b>General Fund Balance £000</b>	<b>Movement in Unusable Reserves £000</b>
<b>Adjustments to the Revenue Resources</b>		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
Pension cost (transferred to (or from) the Pensions Reserve)	(45,406)	45,406
<b>Total Adjustments</b>	<b>(45,406)</b>	<b>45,406</b>

## Note 7 - Grant Income

### Credited to Services

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(464)	Innovation Funding Joint Emergency Services	0
(1,197)	Counter Terrorism	(835)
(16)	Other	(242)
<b>(1,677)</b>	<b>Total</b>	<b>(1,077)</b>

## Note 8 - Unusable Reserves

### Pension Reserve

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
1,486,520	Balance 1 April	1,868,891
336,965	Remeasurements of the net defined benefit (liability)/asset	2,238
97,224	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	114,400
(51,818)	Employer's pensions contributions and direct payments to pensioners payable in the year	(57,304)
<b>1,868,891</b>	<b>Balance 31 March</b>	<b>1,928,225</b>

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.

## Accumulated Absences Account

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
493	<b>Balance 1 April</b>	493
(493)	Settlement or cancellation of accrual made at the end of the preceding year	(493)
493	Amounts accrued at the end of the current year	602
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	109
<b>493</b>	<b>Balance 31 March</b>	<b>602</b>

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, eg annual leave entitlement carried forward at 31 March 2018. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

### Note 9 - Debtors

Debts outstanding at 31st March 2018 are as follows:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
480	Intra-Group	606
<b>480</b>	<b>Total Debtors</b>	<b>606</b>

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

### Note 10 - Creditors

Payments due at 31st March 2018 are as follows:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(493)	Intra-Group	(602)
<b>(493)</b>	<b>Total Creditors</b>	<b>(602)</b>

This creditor relates to the Accumulated Absences Reserve.

## Note 11 - Provisions

Provisions held at 31st March 2018 are as follows:

### Current Provisions

<b>2017/18</b>	<b>Restructuring Provision</b>
	<b>£000</b>
Opening Balance	(480)
Increase in provision during year	(334)
Utilised during year	208
<b>Closing Balance</b>	<b>(606)</b>

<b>2016/17</b>	<b>Restructuring Provision</b>
	<b>£000</b>
Opening Balance	(355)
Increase in provision during year	(208)
Utilised during year	83
<b>Closing Balance</b>	<b>(480)</b>

### Restructuring Provision

The restructuring provision has been created for restructuring costs in accordance with strategic change programmes that have formal plans or supporting business cases as at 31st March 2018. These change programmes are either in the process of being implemented or will be implemented during 2018/19.

## Note 12 - Joint Audit Committee

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

Members' Allowances for the Joint Audit Committee are:

Members' Allowances	£1,680 per annum
Chair Allowance	£2,500 per annum

## Note 13 - 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 2018 the PCC Group supported the following regional arrangements under the umbrella of the South East Regional Organised Crime Unit:

- Serious Crime Investigation Team
- Covert Operations Unit
- Technical Surveillance Unit
- Witness Protection Unit
- Cyber Crime Unit
- Prison Intelligence
- Fraud Team
- Government Agencies Intelligence Network (G.A.I.N.)

The PCC Group also supports:

- The National Police Air Service in West Yorkshire
- Counter Terrorism Policing South East – where five police forces; Thames Valley, Hampshire, Sussex, Surrey and Kent work together on counter terrorism and tackling serious and organised crime
- South East Region Integrated Policing – where four police forces, Thames Valley, Hampshire, Sussex, Surrey are working together to consider regional collaboration ambition that will lay the foundations for further regional integration

Surrey and Sussex Police Forces share collaboration costs 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.

	<b>Total Cost 2016-17</b>	<b>Surrey Share 2016-17</b>	<b>Total Cost 2017-18</b>	<b>Surrey Share 2017-18</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Collaborated Services</b>				
<b>Sussex</b>				
Operations	32.6	14.8	32.8	14.9
Specialist Crime	21.2	9.6	20.6	9.4
Joint IT	6.8	3.1	9.9	4.5
People Services	4.5	2.1	5.0	2.3
Finance and Services	2.6	1.2	3.0	1.4
ACPO	0.6	0.3	0.7	0.3
PSD - Joint Vetting	0.3	0.2	0.6	0.2
Corporate Services	0.3	0.1	2.2	1.0
<b>Capital Projects:</b>				
IT Capital Projects	0.9	0.4	2.0	0.9
ERP	0.8	0.3	0.0	0.0
Digital Enablement team	0.4	0.2	0.1	0.1
Corporate Services Capital Project	0.2	0.1	0.1	0.0
	<b>71.2</b>	<b>32.4</b>	<b>77.0</b>	<b>35.0</b>

There is a further significant joint arrangement (ERP Tri-Force) costing £0.9m split between Surrey Police (£0.2m), Sussex Police (£0.3m) and Thames Valley Police (£0.4m).

## Note 14 - Officers' Remuneration

This note shows remuneration for senior employees responsible for the management of Surrey Police along with the number of employees (including Police Officers) whose remuneration was £50,000 or more.

There are a small number of employees included that are seconded to other agencies. These costs are fully recovered.

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	2016/2017	2017/2018			Total Remuneration £
			Total Remuneration £	Salary, Fees & Allowances £	Employers Pension Contribution £	Benefit in kind. Private Use of Vehicle £	
Chief Constable-N Ephgrave	18/12/2015		183,469	150,622	34,471	2,608	187,701
Deputy Chief Constable-G Stephens	19/12/2015		150,237	121,608	27,992	4,657	154,257
Temporary Assistant Chief Constable-Note 1	20/12/2015	31/03/2017	126,611				
Assistant Chief Constable	20/05/2013	08/05/2016	14,184				
Assistant Chief Constable	23/05/2016		116,087	112,343	26,594	5,560	144,497
Assistant Chief Constable	07/05/2017			89,037	21,400	2,853	113,290
Temporary Assistant Chief Constable	04/07/2016	19/09/2017	89,368	40,476	9,658	332	50,466
Chief Superintendent-Note 1	01/04/2017			91,300	20,633	4,506	116,439
Chief Superintendent	24/05/2009	04/07/2016	29,790				
Chief Superintendent	07/01/2013	01/05/2016	13,543				
Chief Superintendent	07/01/2013		108,754	86,333	20,633	4,593	111,559
Chief Superintendent	09/06/2014		109,649	87,582	20,633	6,242	114,457
Chief Superintendent	18/10/2017			38,687	9,617	2,931	51,235
Chief Superintendent	02/01/2018			21,488	4,827		26,315
Temporary Chief Superintendent	20/12/2015	02/01/2018	107,566	65,956	15,401	5,421	86,778
Chief Superintendent	20/12/2015		105,442	86,337	20,153	4,542	111,032
Assistant Chief Officer	27/08/2013		138,698	126,910	16,675		143,585
Head of Corporate Communications	30/04/2013		85,069	75,404	10,281		85,685
Head of Finance & Services	01/09/2010		102,306	90,070	11,773		101,843
Chief Information Officer-N Roberts	16/11/2015		158,029	127,102	16,675		143,777
<b>GROUP TOTAL</b>			<b>1,638,802</b>	<b>1,411,255</b>	<b>287,416</b>	<b>44,245</b>	<b>1,742,916</b>

Note 1 : The same person occupied these 2 roles. They reverted to Chief Superintendent on the date shown.

## Officer Remuneration

### Number of Employees

	2016/17	2017/18
£50,001 to £55,000	190	247
£55,001 to £60,000	107	135
£60,001 to £65,000	26	49
£65,001 to £70,000	13	10
£70,001 to £75,000	6	10
£75,001 to £80,000	10	6
£80,001 to £85,000	5	9
£85,001 to £90,000	3	8
£90,001 to £95,000	2	1
£95,001 to £100,000	1	2
£100,001 to £105,000	0	0
£105,001 to £110,000	0	0
£110,001 to £115,000	0	1
£115,001 to £120,000	1	0
£120,001 to £125,000	1	1
£125,001 to £130,000	0	2
£130,001 to £135,000	0	0
£135,001 to £140,000	1	0
£140,001 to £145,000	0	0
£145,001 to £150,000	1	0
£150,001 to £155,000	0	1
<b>Total</b>	<b>367</b>	<b>482</b>

## Exit Packages

Exit package cost band (including special payments)	Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2016/17	2017/18	2016/17	2017/18
£0-£20,000	39	5	418,702	44,396
£20,001 - £40,000	15	11	388,540	278,682
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	2	0	143,537
<b>Total</b>	<b>54</b>	<b>18</b>	<b>807,242</b>	<b>466,615</b>

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

## Note 15 - External Audit Costs

2016/17 Group £000		CC £000	2017/18 PCC £000	Group £000
54	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	15	39	54
<b>54</b>	<b>Total</b>	<b>15</b>	<b>39</b>	<b>54</b>

## Note 16 - Related Parties

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

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

Central government has some control as it is responsible for providing the statutory framework and provides funding to the PCC who in turn funds the Chief Constable's expenditure. The value of grants received is shown Note 7.

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

Surrey Police has a number of collaborative arrangements with Sussex Police that are accounted for as joint operations. The total costs incurred during 2017/18 was £77m (2016/17 £71.2m) with Surrey's share equating to £35m (2016/17 £32.4m).

Employer's pension contributions paid by the Group to the Surrey County Council Pension Fund totalled £9.5m during 2017/18 (£9m in 2016/17).

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.

## Note 17 - Defined Benefit Pension Scheme

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

The Group participates in two pension schemes:

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

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. In accordance with IAS 19 requirements, the amount includes current and past service costs, curtailments and settlements, together with the gains/losses on the police injury pension. The current service cost and valuation of the Schemes as at 31 March 2018 have been produced by actuaries. The following transactions reflect the total charges in the Chief Constables Comprehensive Income and Expenditure Statement. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments for those benefits and to disclose them at the time the employee earns them.





2016/17			Movements in the Fair Value of Scheme Liabilities	2017/18		
LGPS	Police Officers	Total		LGPS	Police Officers	Total
£000	£000	£000		£000	£000	£000
(298,750)	(1,409,130)	(1,707,880)	Opening balance at 1 April	(382,789)	(1,754,290)	(2,137,079)
(10,295)	(22,940)	(33,235)	Current service cost	(19,291)	(35,440)	(54,731)
(10,918)	(49,830)	(60,748)	Interest cost	(10,167)	(46,460)	(56,627)
(3,008)	(8,750)	(11,758)	Contributions from scheme participants	(3,137)	(9,020)	(12,157)
			Re-measurement gains and losses:			
11,095	6,150	17,245	- Actuarial gains / (losses) - experience	(122)	(12,280)	(12,402)
3,762	(3,600)	162	- Actuarial gains / (losses) from changes in demographic assumptions	0	59,610	59,610
(78,431)	(308,690)	(387,121)	- Actuarial gains / (losses) from changes in financial assumptions	9,834	(56,890)	(47,056)
(2,342)	(220)	(2,562)	Past service cost	(26)	(1,060)	(1,086)
6,098	42,720	48,818	Benefits / transfers paid	5,340	47,630	52,970
<b>(382,789)</b>	<b>(1,754,290)</b>	<b>(2,137,079)</b>	<b>Balance as at 31 March</b>	<b>(400,358)</b>	<b>(1,808,200)</b>	<b>(2,208,558)</b>

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

2016/17 Total		2017/18 Total
£000		£000
<b>31,770</b>	<b>Cash and cash equivalents</b>	<b>33,209</b>
<b>EQUITY SECURITIES</b>		
21,758	Consumer	22,743
19,723	Manufacturing	20,617
10,812	Energy and Utilities	11,302
18,972	Financial Institutions	19,832
7,166	Health and Care	7,491
15,105	Information Technology	15,789
546	Other	571
<b>94,083</b>	<b>Subtotal EQUITY SECURITIES</b>	<b>98,344</b>
<b>DEBT SECURITIES</b>		
9,310	Corporate Bonds (Investment Grade)	9,732
588	Corporate Bonds (Non Investment Grade)	614
546	UK Government	571
1,229	Other	1,285
<b>11,674</b>	<b>Subtotal DEBT SECURITIES</b>	<b>12,202</b>

<b>PRIVATE EQUITY</b>		
11,256	All	11,766
<b>11,256</b>	<b>Subtotal PRIVATE EQUITY</b>	<b>11,766</b>
<b>REAL ESTATE</b>		
15,249	UK Property	15,940
99	Overseas Property	104
<b>15,348</b>	<b>Subtotal REAL ESTATE</b>	<b>16,043</b>
<b>INVESTMENT FUNDS &amp; UNIT TRUSTS</b>		
74,370	Equities	77,737
29,315	Bonds	30,643
<b>103,685</b>	<b>Subtotal INVESTMENT FUNDS &amp; UNIT TRUSTS</b>	<b>108,380</b>
<b>DERIVATIVES</b>		
Derivatives		
372	Foreign Exchange	389
<b>372</b>	<b>Subtotal DERIVATIVES</b>	<b>389</b>
<b>268,188</b>	<b>Total Assets</b>	<b>280,333</b>

The significant assumptions used by the actuary have been:

<b>2016/17</b>	<b>LGPS</b>	<b>2017/18</b>
Long term expected rate of return on assets		
2.6%	EQUITY SECURITIES	2.7%
2.6%	DEBT SECURITIES	2.7%
2.6%	PRIVATE EQUITY	2.7%
2.6%	REAL ESTATE	2.7%
2.6%	INVESTMENT FUNDS & UNIT TRUSTS	2.7%
2.6%	DERIVATIVES	2.7%
Mortality assumptions		
Longevity at retirement for current pensioners		
22.5	Men	22.5
24.6	Women	24.6
Longevity at retirement for future pensioners		
24.1	Men	24.1
26.4	Women	26.4
Other assumptions		
2.4%	Rate of inflation	2.4%
2.7%	Rate of increase in salaries	2.7%
2.4%	Rate of increase in pensions	2.4%
2.6%	Rate for discounting scheme liabilities	2.6%

**Impact of assumptions on the obligation:**

<b>Increase by 1%</b>	<b>LGPS</b>	<b>Decrease by 1%</b>
<b>£000</b>	<b>Assumption</b>	<b>£000</b>
16,188	Rate of increase in salaries	(16,188)
85,900	Rate of increase in pensions	(85,900)
(103,436)	Rate for discounting scheme liabilities	103,436

**The significant assumptions used by the actuary have been:**

<b>2016/17</b>	<b>Police Officers</b>	<b>2017/18</b>
Mortality assumptions		
Longevity at retirement for current pensioners		
23.2	Men	22.6
25.2	Women	24.2
Longevity at retirement for future pensioners		
25.2	Men	24.5
27.3	Women	26.1
Other assumptions		
2.4%	Rate of inflation	2.3%
4.4%	Rate of increase in salaries	4.3%
2.4%	Rate of increase in pensions	2.3%
2.7%	Rate for discounting scheme liabilities	2.6%

**Impact of assumptions on the obligation:**

<b>Increase by 1%</b>	<b>Police Officers</b>	<b>Decrease by 1%</b>
<b>£000</b>	<b>Assumption</b>	<b>£000</b>
(43,000)	Longevity	43,000
54,000	Rate of increase in salaries	(54,000)
290,000	Rate of increase in pensions	(290,000)
(370,000)	Rate for discounting scheme liabilities	370,000

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

The cost of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However,

the charge required against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £1,928.2m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,808.4m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

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

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

### **Financing of Police Pensions**

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

The in-year cost of police pensions is financed with the contributions from police officers (old scheme 11% and new scheme 9.5%) and also a contribution from the employer at 21.3% of salary and operated through a pensions account. If there is a deficit on the Police Pensions Fund Account this is met by a transfer from the Income and Expenditure Account funded by the Home Office. Conversely, if there is a surplus this would be transferred to the Income and Expenditure Account for repayment to the Home Office.

The Pension Fund Account, shown below, shows a deficit of £21.6m, offset by a transfer from the Income and Expenditure Account, funded by a grant from the Home Office (£19.6m) and an additional contribution by the Group (£2.0m).

	2016/2017 £000	2017/2018 £000
<b>Contributions Receivable</b>		
From employer at 21.3%:		
Normal	(14,494)	(14,361)
Early retirements	0	(238)
Other	0	0
From members	(8,754)	(9,023)
<b>Transfers In</b>		
Individual transfers in from other schemes	(244)	(242)
Other	0	0
<b>Benefits Payable:</b>		
Pensions	33,314	35,265
Commutations and lump sum retirement benefits	6,404	9,664
Lump sum death benefits	416	76
Lump sum ill-health benefits	302	309
<b>Payments to and on account of leavers</b>		
Refund of contributions	69	75
Individual transfers out to other schemes	64	82
Other	0	0
<b>Sub-total for the year before transfer from the Group of amount equal to the deficit</b>	<b>17,077</b>	<b>21,607</b>
Additional 2.9% funding payable by local policing body to meet deficit for the year	(1,919)	(1,955)
<b>Additional funding payable to the Group to fund the deficit for the year</b>	<b>(15,158)</b>	<b>(19,652)</b>
<b>Total</b>	<b>0</b>	<b>0</b>

NET ASSETS STATEMENT	2016/2017 £m	2017/2018 £m
<b>Net current assets and liabilities</b>		
Contributions due from employer	0	0
Unpaid pension benefits	0	0
Amount due to sponsoring department	0	0
Other current assets and liabilities	0	0
<b>Net assets and liabilities</b>	<b>0</b>	<b>0</b>

## Note 18 - Contingent Liabilities

At 31st March 2018 the Chief Constable has three 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 have given rise to a potential liability.

An Employment Tribunal (ET) was heard in February 2013 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. The Court of Appeal dismissed the police officers earlier in March 2017 and Surrey Police was advised that the officers were considering whether to seek leave to appeal to the Supreme Court. The Supreme Court refused leave to appeal. The lawyers have asked the ET to formally dismiss these claims and we are awaiting confirmation of the same. There should be no future liability in relation these claims.

#### 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. Surrey Police is waiting for the ET to set down directions for how these cases are to be dealt with. (This is large part due to the fact that similar claims have been brought by Firefighters and Judges which are working their way through the Courts. The outcome of those cases may have a bearing on these claims). 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 2017/18 Financial Statements, it is assumed that any financial settlements will be funded under current police pension regulations.

#### Forensic Service Uncertainty

The validity of evidence provided by a forensic testing company to the police service is currently under investigation and is an issue impacting on policing across England & Wales. It is reasonable to anticipate that some people may have been convicted of offences based on flawed data, and that conviction will have had a significant impact on their personal circumstances. As a result some kind of litigation may be forthcoming. At this point in time it is not possible to assess the number of likely claims or the financial exposure arising from them.

#### Note 19 - Contingent Assets

The Group has no contingent assets to disclose at 31st March 2018.

## Note 20 - Financing and Investment Income and Expenditure

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
52,677	Net interest on the net defined benefit liability (asset)	49,563
<b>52,677</b>	<b>Total</b>	<b>49,563</b>

## Note 21 - Other Operating Expenditure

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
672	Levies	612
<b>672</b>	<b>Total Other Operating Expenditure</b>	<b>612</b>

## Accounting Policies

### General Principles

The Accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the U.K. 2017/18, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), 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 2017/18.

The accounting policies also reflect the powers and responsibilities of the Chief Constable of Surrey as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. The accounts cover the 12 months to 31 March 2018.

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

### Fundamental Accounting Policies

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

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

- Comparability – the information contained in the Financial Statements has been prepared so that it can be readily compared with similar information about the same entity for different accounting periods and with similar information about other entities.
- Primacy of Legislative Requirements – Chief Constables derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. Where specific legislative requirements and accounting principles conflict, the legislative requirement is applied. However, the Code deals with such conflicts by showing the position required by the Code’s accounting requirements in the Comprehensive Income and Expenditure Statement, and the effect of the legislative requirements in the Movement in Reserves Statement. These accounting entries are included in the Group Accounts

The following sections set out the Chief Constable’s general accounting policies, which have been followed in 2017/2018.

### **Income and Expenditure**

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

The same principle applies to income which is received by the PCC however recognised in the respective Police and Crime Commissioner and Chief Constable financial statements based on economic benefit. For example smaller operational grants and income are budgeted and accounted for within the department where the costs are incurred, usually within the Force.

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

### **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 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.

### **Termination Benefits / Exit Packages**

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

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

pensioners and any such amounts payable but unpaid at the year-end. The movement in Reserves appropriations are reflected in the Group Accounts.

### **Long-term employee benefits - Pension arrangements**

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

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

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

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

#### **Police Officers Pension Schemes**

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

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

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

#### **Local Government Pension Scheme (LGPS)**

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

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

The pension costs included in the Notes to the Financial Statements in respect of these schemes have been determined in accordance with relevant government regulations and the 2017/18 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.

## **VAT**

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

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

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

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

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

## **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 2017/18 Code, these are:

- IFRS 9 Financial Instruments

The Financial Instruments for the PCC Group are basic (ie Debtors and Prepayments), there are no complex instruments like Derivatives or Equity Investments. Therefore it is envisaged that the impact on the Accounts from this standard will be minimal and immaterial.

- IFRS 15 Revenue from Contracts

It is anticipated that there will be minimal impact on the Accounts from this standard due to the nature of its revenue streams (the majority of which are cost recovery). This will be reviewed next year and if necessary some additional disclosure will be added.

- IAS 7 amendments to Statement of Cash-flows

The 2017/18 cash-flow statement has been aligned to the standard. The accounts show cash-flows arising from: Operating Activities, Investing Activities and Financing Activities, rather than the Direct Method.

## Glossary of Accounting Terms

### **ACCRUALS**

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

### **ACTUARIAL GAINS AND LOSSES**

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

### **AMORTISATION**

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

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

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

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

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

### **CURTAILMENT (PENSIONS)**

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

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

### **DEFINED BENEFIT SCHEME**

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

### **DEFINED CONTRIBUTION SCHEME**

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

### **DEPRECIATION**

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

### **GENERAL FUND BALANCES**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**IMPAIRMENT**

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

**INTEREST COSTS (PENSIONS)**

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

**LEVIES**

A levy is an amount of money imposed by government – for example a contribution towards the Police National Computer or Police National Database.

**PAST SERVICE COSTS**

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

**PRECEPT**

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

**PROVISION**

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

**RELATED PARTIES**

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

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

**RELATED PARTY TRANSACTION**

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

**REVENUE SUPPORT GRANT**

Central Government grant supporting the cost of public services.

**SETTLEMENT (PENSIONS)**

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

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