

Surrey Police

Chief Constable

Statement of Accounts for the year 2018/19



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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 2018/19 Financial Statements for the Chief Constable for Surrey. The narrative report explains the purpose of the Financial Statements, a summary of the financial activities and the financial position as at 31st March 2019.

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 which is a notable flooding risk and 73% of the county is classified as 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.

Surrey Police introduced a new policing model aimed at making the best use of its policing resource. This model has provided each of the three divisions with dedicated Area Policing Teams, responsible for responding to calls and investigating crime. In addition, specialist teams continue to investigate more serious criminality and a dedicated safeguarding unit focuses on offences against vulnerable people. Each of the 11 boroughs in Surrey has a dedicated Safer Neighbourhood Team to work with partners to address the root causes of crime and tackle those issues which can blight local communities.

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.

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 bodies. The Chief Constable is a 100% subsidiary of the PCC as set out under the Police Reform and Social Responsibility Act 2011. The 'Surrey Police Group' refers to both 'The Chief Constable of Surrey' and 'The Police and Crime Commissioner for Surrey' combined.

The Chief Constable

The primary function of the entity headed by the Chief Constable is the exercise of operational policing duties under the Police Act 1996. The Chief Constable holds office under the Crown, but is appointed by the PCC and has responsibility for:

- Operational independence to deliver the operational policing plan
- Direction and control over the force's officers and staff
- Managing the operational delivery budget; and
- Appointing a qualified person to act as chief finance officer

The Chief Constable incurs all operating costs (excluding those relating to the Office of the PCC) 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 Constable's Balance Sheet.

The Police and Crime Commissioner

The Primary function of the PCC is to secure the maintenance of an efficient and effective police force in Surrey, and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996. The PCC is responsible for the finances of the whole Group and controls all assets, liabilities and reserves. The PCC incurs costs relating to the Office of the Police and Crime Commissioner (OPCC) and receives all income and funding and makes all the payments for the Group from the overall Police Fund. In turn the Chief Constable of Surrey fulfils his functions under the Act within an annual budget (set by the PCC in consultation with the Chief Constable). A Scheme of Consent is in operation between the two bodies determining their respective responsibilities, as well as local arrangements in respect of the use of The PCC's assets and staff.

Accounting Arrangements

Each Public Body has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. They must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This Statement of Accounts includes all the financial transactions incurred during 2018/19 relating to the Chief Constable. The consolidated Group position including the Chief Constable and PCC, have been prepared in a separate Statement of Accounts.

3. The Statement of Accounts

The Financial Statements, which follow this narrative report have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 Based on International Financial Reporting Standards) issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and comprise of:

- **Comprehensive Income and Expenditure Statement.** The CIES consolidates all income, expenditure, gains and losses experienced during the financial year. This includes all day-to-day expenses and related income prepared on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year. The PCC raises taxation to cover expenditure in accordance with specific rules as to how tax rates are set in relation to the income and expenses of the Group. This means the expenditure covered by local taxation (funding basis) may be different to the full accounting cost recorded in the CIES (accounting basis). The adjustments between the funding basis and accounting basis are shown in the Movement in Reserves Statement (MIRS).
- **Movement in Reserves Statement.** The Movement in Reserves Statement (MIRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It shows the movement in year on the different reserves, analysed into 'useable' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

- **Balance Sheet.** This shows the value the assets and liabilities held by the Chief Constable as at 31st March for the current and prior years. The net liabilities (assets less liabilities) are matched by 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.
- **Notes to the Accounts.** These provide additional information to support the figures included in the financial statements and are designed to aid the reader. They comprise significant accounting policies and other explanatory information.

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).

Governance

The accounts are subject to detailed review by an independent external auditor. The audit provides assurance that the accounts provide a true and fair view of the financial position, are prepared correctly, that proper accounting practices have been followed and that arrangements have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of resources. The Accounts and Audit (England) Regulations 2015 require that the Annual Governance Statement (AGS) should accompany the Statement of Accounts. The Chief Constable's AGS is included within this Statement of Accounts and explains the governance processes and procedures in place to enable the Chief Constable to carry out functions effectively

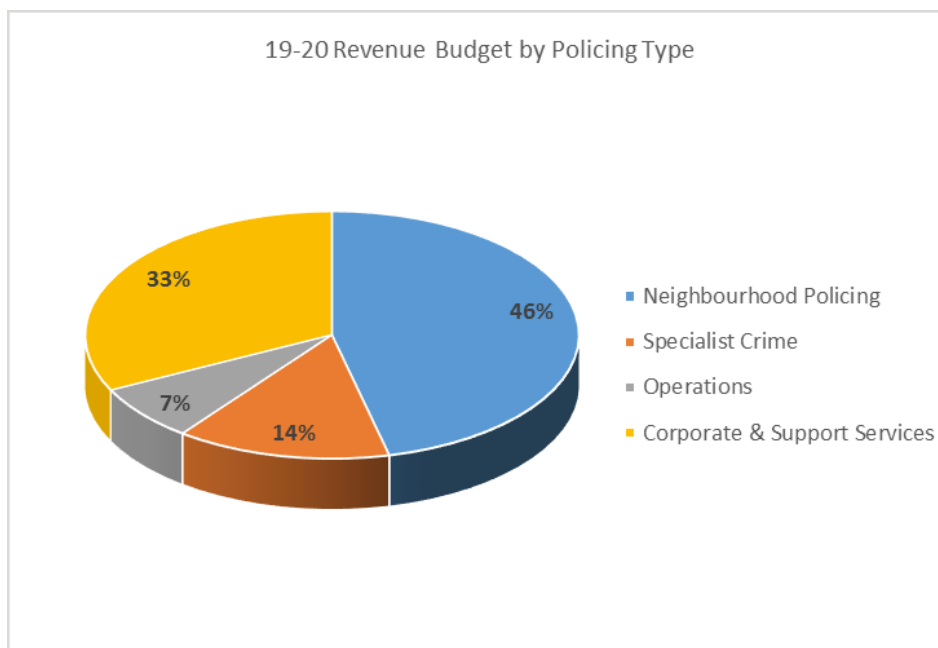
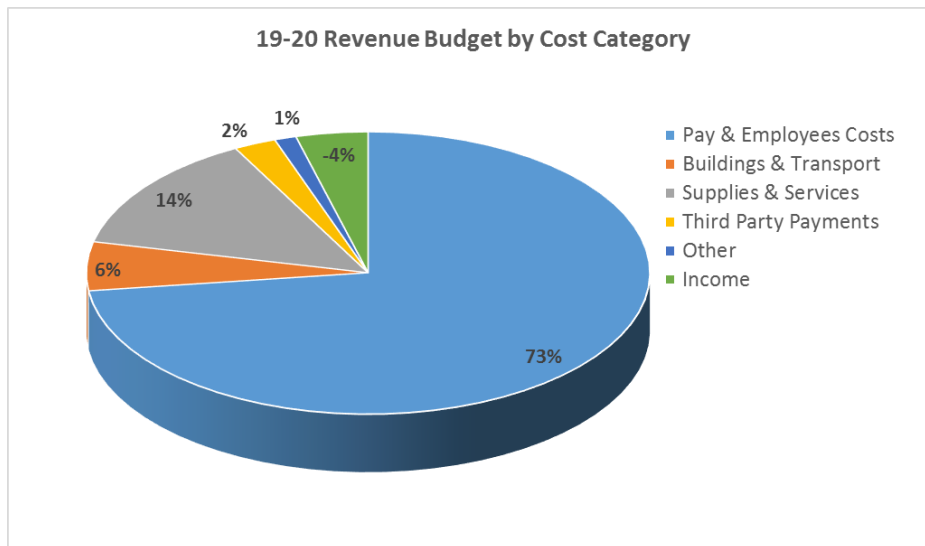
An Annual Governance Statement is included within this Statement of Accounts. The statement is a statutory document which explains the governance processes and procedures in place to enable the Chief Constable to carry out functions effectively, by highlighting the internal control environment, commenting on effectiveness and identifying issues for future work.

4. Financial Arrangements

Setting the Budget

The Chief Constable delivers the operational policing against a delivery plan and net budget approved by the Police and Crime Commissioner (PCC). The PCC Group net revenue budget (or operating budget) for 2018/19, was set at £235.1m (2017/18 £214.6m) of which £233.0m (2017/18 £212.6m) was attributed to policing under the direction of the Chief Constable for the year, the remaining gross revenue budget being attributed to the cost of administering the Office of the PCC.

A summary of the annual revenue budget by types of subjective expenditure and by types of policing expenditure are shown in the following graphs:

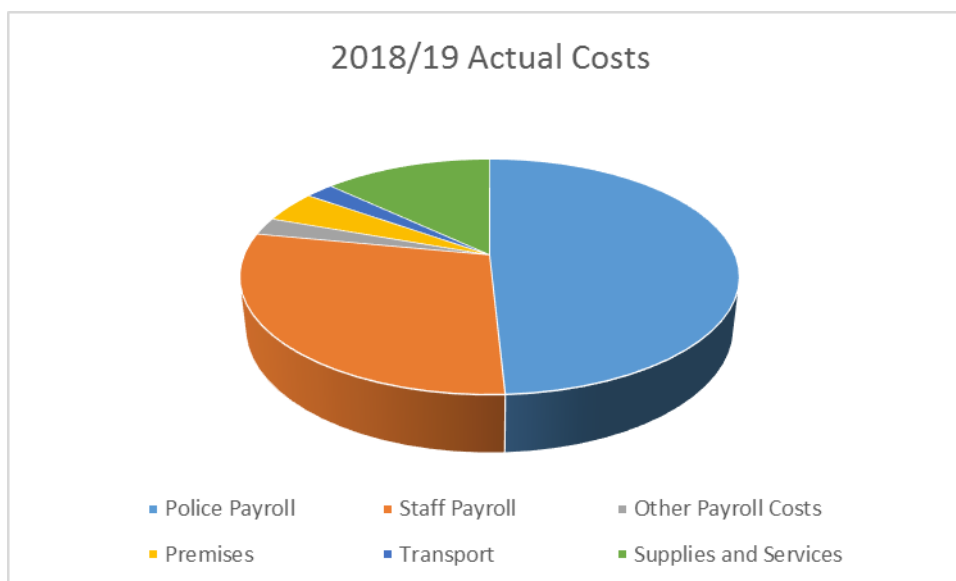


The capital budget included planned expenditure and receipts from sales in line with the Estates Strategy, improvements to IT infrastructure, replacement programmes for fleet and operational equipment and major projects including digital policing.

Final Revenue Outturn

Actual expenditure attributable to policing under the direction of the Chief Constable was £212.0m (2017/18 £211.54m), against a budget of £212.6m (2017/18 £211.0m) resulting in underspend of £0.6m for the current year.

The following chart shows the actual expenditure for the Chief Constable, along with a table comparing actual expenditure to budget for 2018/19 by cost type for the year.



	2018/19		
	Actual	Budget	Variance
Police Payroll	105.9	100.8	5.1
Police Overtime	4.3	4	0.3
Staff Payroll	62.2	66.2	(4.0)
Staff Overtime	1.4	1.6	(0.2)
Agency	1.1	0.8	0.3
Training	1.2	1.4	(0.2)
Other Payroll Costs	4.2	3.6	0.6
Premises	9.7	8.9	0.8
Transport	4.9	4.3	0.6
Supplies and Services	26.7	29.2	(2.5)
Financing	2.5	1.5	1.0
Income and Grants	(12.1)	(9.7)	(2.4)
Chief Constable Expenditure	212.0	212.6	(0.6)

The Chief Constable establishment for police officers for the year was in excess of the original budget plan, which together with overspend on police overtime resulted in higher than expected costs for police officers. This was partially offset by underspend on police staff budgets due to vacant posts during the year and other force budgets resulting in the overall underspend position of £0.6m.

Factors contributing to this underspend position include:

Significant areas of underspend

- Police Staff £4.0m Shortfall of 142 staff
- Supplies and Services £2.5m IT Projects delayed
- Income £2.3m Increase in Secondment rates

Significant areas of overspend

- Police Officer pay £5.3m Extra 33 officers

- Other Payroll Costs £0.8m Higher Insurance Premiums
 - Premises £0.8m Increase in cost Facilities Management
 - Financing £1.0m Budget redirected to EQUIP and extra costs re PWLB loan for new offices
- The 2018/19 underspend of £0.6m will be used in accordance with the approved Medium Term Financial Plan and 2018/19 outturn report.

The Chief Constable proposed to carry forward a total of £0.6m to fund additional investments.

Comprehensive Income and Expenditure Statement (CIES)

Actual expenditure for the year ended for the year ended 31 March 2019 compared against the previous year can be seen in the CIES. The Comprehensive Income and Expenditure Statement measures the financial performance for the year in terms of resources consumed over period and the funding provided to finance these resources. The accounting basis used to calculate net expenditure funded from the Home Office grants and local taxation. The CIES includes all net expenditure funded from grant and taxation plus notional (non-cash) amounts that are required by accounting regulations e.g. depreciation and changes in the value of property assets, interest charges on leased assets, and calculations of movements in police officer and police staff pension liabilities.

In line with Trade Union (Facility Time Publication Requirements) Regulations 2017 (SI 2017/328) the Chief Constable has an obligation to report annually on paid time off provided to trade union representatives for trade union duties and activities. The following details relate to 2018/19. There were 13 employees who were union officials during the period (13 full time equivalents). The total cost of this facility time was £94,589 which represents 0.12% of the total pay bill.

The table below reconciles Chief Constable's net operational expenditure for 2018/19 to the position reported in the CIES. The table shows 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.

	2018/2019	2017/2018
	£m	£m
Operational Delivery Net Expenditure per revenue outturn management report	212.0	211.5
Reserve and Provision transfers outside (Surplus)/Deficit on Provision of Services:		
Earmarked Reserve	0.2	(0.6)
Financial year end accounting adjustments	(2.2)	(0.8)
Amounts in the CIES not in the outturn report:		
Depreciation & Amortisation	9.0	7.4
Pensions	110.3	27.1
Net Cost of Services	329.3	244.6
Intra-Group Adjustment from PCC to CC for resources consumed at the request of the Chief Constable	(237.8)	(237.6)
Pension Interest Cost	49.4	49.6
Levies	0.5	0.6
Deficit on Provision of Services	141.4	57.2
Re-measurement of the net defined benefit liability/asset	87.6	2.2
Total Comprehensive Income & Expenditure	229.0	59.4

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.

Summary of Chief Constable CIES		
	2018/19 Net Expenditure £m	2017/18 Net Expenditure £m
Cost of Services	329.3	244.6
Other Operating Expenditure		
Levies	0.5	0.6
Intra-Group Funding	(237.8)	(237.6)
Financing and Investment Income and Expenditure		
Pension Interest Cost	49.4	49.6
Other Comprehensive Income and Expenditure		
Re-measurement of the net defined benefit liability/asset	87.6	2.2
Total Comprehensive Income and Expenditure	229.0	59.4

5 Capital Expenditure Budget

The capital and investment programme is designed to support business enablement and change projects to promote new ways of working and efficient use of resources. Current investment plans include provision for the approved estates strategy, fleet replacement programme and in-car technology development, ICT infrastructure and improvement plans further development of mobile policing and implementation of a new finance and HR system via the new Enterprise Resource Planning (ERP) system for Sussex, Surrey and Thames Valley Police.

The Chief Constable receives a budget from the PCC for day-to-day management and running of the estate on behalf of the Surrey Police Group. The Police and Crime Commissioner retain ownership of all assets and therefore all assets are included on the Balance Sheet of the PCC and Group accounts but not the accounts of the Chief Constable.

The final approved budget for the 2018/19 Capital and Investment Projects was £34.4m. Actual expenditure for the year against this budget was £30.1m as set out in the following table.

CAPITAL BUDGET OUTTURN 2018/19				
	Actual £m	Revised Budget £m	Variance over/ (under)spend	
			£m	%
IT Strategy	0.9	3.5	(2.6)	(74%)
Fleet Strategy	3.9	3.6	0.3	8%
Estates Strategy	24.5	24.9	(0.4)	(2%)
Other Specific	0.8	2.3	(1.4)	(61%)
Unallocated	0.0	0.2	(0.2)	(100%)
	30.1	34.4	(4.3)	(13%)

Balance Sheet

The balance sheet shows the value of the recognised assets and liabilities. The net liabilities are matched by the reserves held.

Chief Constable's Balance Sheet			
	31 March 2019 £m	31 March 2018 £m	Movement £m
Current Assets	0.1	0.6	(0.5)
Current Liabilities	(1.0)	(1.2)	0.2
Long term Liabilities	(2,156.9)	(1,928.2)	(228.7)
Net Liabilities	(2,157.8)	(1,928.8)	(229.0)
Financed by			
Pensions Reserves	(2,156.9)	(1,928.2)	(228.7)
Accumulated Absences Account	(0.9)	(0.6)	(0.3)
Total Reserves	(2,157.8)	(1,928.8)	(229.0)

The movement between years was £229.0m. This is predominantly due to an increase in the long term pension liability of £228.7m as a result of the annual actuarial review and changes in assumptions used to estimate future pension cost (due to decreasing bond yields and higher projected pension costs). This figure includes an increased liability of £83.8m to reflect the potential increase in scheme liabilities estimated by our actuaries with regard to the McCloud/Sargeant case (See Note. 17). The only other minor movement relates to the Accumulated Absences accrual provision.

6 Employee Pension Schemes

The Chief Constable operates separate pension schemes for Police Officers and Police Staff. Police Staff 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 Chief Constable and PCC Group is required to disclose this commitment based on the full cost calculated based on the time employees become eligible to retire. This future net liability and annual current cost are calculated by an independent actuary in accordance with International Standards (IAS19). Accounting for this commitment has a substantial impact on the net worth of the Balance Sheet, resulting in a negative reserves on the Balance Sheet totalling £2,157.8m (2017/18 £1,928.8m). The police pension scheme has the majority share of the deficit at £2,156.9m (2017/18 £1,928.2m). Statutory arrangements are in place to fund this deficit which means the Chief Constable maintains a healthy financial position and can continue to operate on a going concern basis.

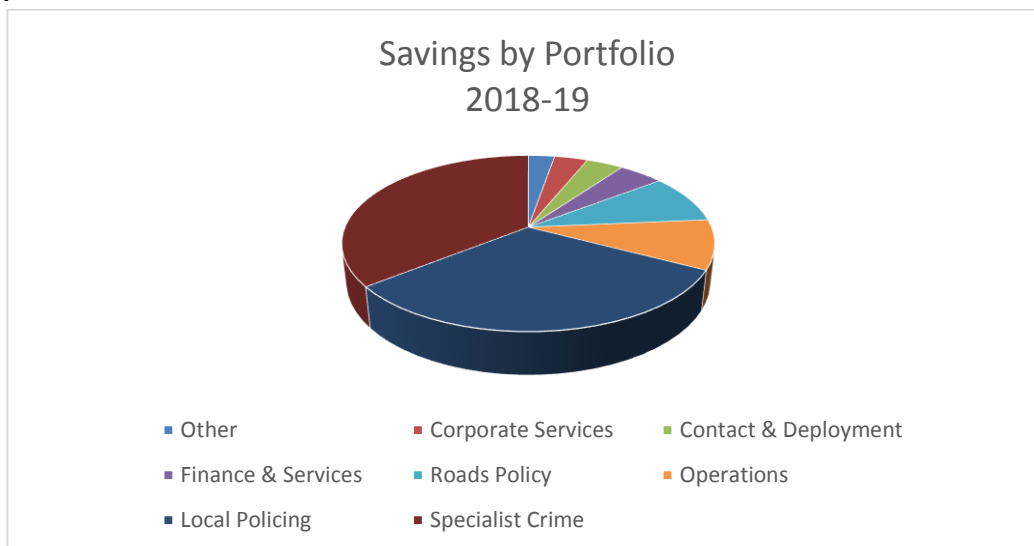
The value of the police staff pension scheme is assessed triennially when the employer's contribution is adjusted in line with the actuary's recommendations. The latest valuation completed in April 2016 resulted in employer's contributions being decreased in April 2017 from 17.7% to 14.5% with an increase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

For the police officers pension fund the employer's contribution rate for the 2018/19 year was set at 21.3% with an additional 2.9% payable as an additional contribution. In 2018/19 costs in excess of the employer's contribution were met by the Home Office way of the Pension Top-

Up Grant, with the exception of the 2.9% additional contribution which was retained by the Exchequer.

7 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 financial challenges, increase resilience and improve service delivery. The full savings programme and budget reductions for 2018/19 totalled £5.4m and is shown by portfolio in the chart below.



Over the last year, the Specialist Crime Capabilities Programme and the new operating model was implemented, delivering savings and providing opportunities for wider collaboration with the region in the future. The next significant change underway is the implementation of a new operating model for Operations command. 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 has been implemented, facilitating change, efficiency and innovation to ensure that both Forces are well positioned to deliver their change strategies on an individually, bilaterally and regional basis. This team is working ever more closely with a collaborated IT department to support the increasing demand to deliver programmes of work involving IT solutions. Moving forward a newly formed Digital Division will incorporate the existing Digital Enablement Programme and its work on five key priorities: Mobile Data, Niche, Public Facing Digital Services (Community Messaging, Online Crime Reporting and Track My Crime), 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. The Digital Division will also work towards supporting investigations which have increasing requiring digital capabilities.

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).

Surrey Police is committed to continuous improvement in its arrangements for programme, project and financial management. As such the force is progressing a number of key initiatives and programmes, including:

Financial Excellence: Sussex Police is one of only 3 forces nationally to have piloted the national Chartered Institute of Public Finance and Accountancy's "Achieving Finance Excellence in Policing" programme. So far, this has included implementation of accounts closure software to enable code compliant production of statutory financial statements more promptly, development of Finance Business Partners, and an independent review of financial management arrangements.

New Enterprise Resource Planning Solution (Equip): Surrey Police is also currently implementing a new Enterprise Resource Planning (ERP) system with Sussex Police and Thames Valley Police. This system is planned to bring improvements to all three forces and enable consistency, better information for managing and decision making – for teams and individuals. The planned programme implementation has encountered a two year delay and a subsequent increase in the costs of implementation. A number of corrective management interventions have been carried out and the Chief Constables are currently undertaking a bespoke and detailed contractual, commercial and technical review to provide assurance of the latest revised implementation dates and project costs. In line with our governance arrangements the Chief Constables will present their plans and recommendations to the PCCs for scrutiny and approval and this is planned for the end of August 2019. The decision will be published. The internal costs incurred by Surrey during 2018/19 were £1.5m and the total cost incurred by Surrey is £3.8m to the end of 2018/19.

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.

Surrey Police began piloting the National Volunteer Police Cadet (VPC) scheme in autumn 2016 and now has a number 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.

A new site in Leatherhead was purchased during the year to provide an improved central location for Surrey Police headquarters and operational base at a cost of £20.5m. This will replace the existing Mount Browne headquarters and Woking police station, in addition to replacing Reigate police station as the main Eastern divisional base. Sales from the existing sites will meet the majority of costs for the purchase and development of the new headquarters. The HQ development project is expected to take at least four to five years to complete, including plans to dispose of current outdated and costly buildings and create a modern cost effective estate that will allow the Force to meet the challenges of modern policing. These plans reflect the ambition of Surrey Police to be an outstanding force and our commitment to providing high quality policing in the heart of our communities.

All police forces are inspected by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) 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.

8 Financial Outlook

The financial statements are prepared on the assumption that the legal entity of the Chief Constable of Surrey Police is a going concern, meaning that it will continue to operate for the foreseeable future and will be able to realise assets and discharge liabilities in the normal course of operations.

The key accounting concept of a going concern assumes that an organisation, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets. An ability to apply the going concern concept can have a fundamental impact on the financial statements.

The Local Government Accounting Code makes it clear that government changes should not be seen as having a detrimental impact on the Chief Constable continuing as a going concern. In addition to this a policing body 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 i.e. with no fund assets to offset future liabilities when existing police officers have all retired. 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 2019/20 was set by the PCC at £235.1m (2018/19 £214.6m) of which the Chief Constable's budget amounted to £212.6m (2017/18 £213.0m). The increase from last year was possible due to the Secretary of State's statement in the House of Commons on 13 December 2018 allowing Police and Crime Commissioners to increase their current Band D Council Tax Precept by up to £24 (2018/19 £12) without the need to hold a referendum. The additional resources will be used to double the number of Officers in our dedicated neighbourhood teams across the county, increase the number of detectives tackling organised crime and drugs and add specialist officers in preventing crime, reducing reoffending and online crime. It will also protect 25 police officer posts across the force that would otherwise have been lost.

Details of the PCC's plans for revenue and capital expenditure in 2019/20 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.

A handwritten signature in black ink, appearing to read 'Peter Gillett', with a horizontal line extending to the right.

Peter Gillett, CPFA
Executive Director of Commercial and Financial Services

Date: 31 July 2019

External Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF SURREY

Opinion

We have audited the financial statements of the Chief Constable of Surrey for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Surrey Movement in Reserves Statement;
- Chief Constable of Surrey Comprehensive Income and Expenditure Statement;
- Chief Constable of Surrey Balance Sheet;
- Chief Constable of Surrey Cash Flow Statement;
- Chief Constable of Surrey Police Pensions Fund Account Statements; and
- and the related notes 1 to 21 and Accounting Policies;

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Surrey as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 below. We are independent of the Chief Constable for Surrey 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 the Comptroller and Auditor General's (C&AG) AGN01, 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.

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 Authority'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 other information comprises the information included in the "Statement of Accounts for the year 2018/19", other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 obtained in the audit 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Chief Constable for Surrey put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibilities of the Chief Financial Officer

As explained more fully in "*Statement of Responsibilities*" set out on page 18, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial 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 either intends to cease operations, or have no realistic alternative but to do so.

Use of our report

This report is made solely to the Chief Constable of Surrey, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of Surrey, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON

ERNST & YOUNG LLP

Date: 31 July 2019

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

The maintenance and integrity of the Surrey Police web site is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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 (C&AG) in November 2017, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined 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 2019.

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 form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure 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 satisfy ourselves that the Chief Constable of Surrey has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place 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.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable of Surrey in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Statement of Responsibilities

The Responsibilities of the Chief Constable

The Chief Constable is required:

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

I approve these Statement of Accounts for the year ended 31 March 2019.



Gavin Stephens
Chief Constable of Surrey Police

Date: 31 July 2019

The Responsibilities of the Chief Financial Officer

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of Surrey Police at the accounting date and the income and expenditure for the year ended 31 March 2019.



Peter Gillett
Executive Director of Commercial and Financial Services

Date: 31 July 2019

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 2018/19 (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 CFO with defined responsibilities and powers. The CIPFA Statement requires that the CFO should be a professionally qualified accountant, report directly to the PCC or the Chief Constable (depending on the specific CFO concerned) and be a member of their respective leadership teams. In the OPCC, the role of the CFO meets these requirements. In Surrey Police, the CFO holds the title of Executive Director of Commercial and Finance Services for Surrey and Sussex and is a key member of the Chief Constable's leadership team. 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 31 March 2019 and up to the date of approval of the Annual Statement of Accounts 2018/19. All governance documents were updated with the latest set being approved in April 2019 and are available on the Police and Crime Commissioners website.

3. The Governance Framework

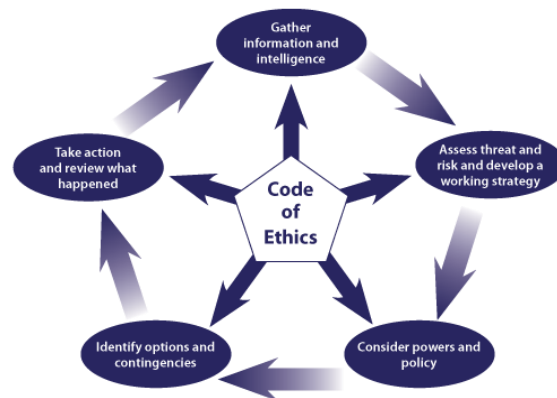
Surrey Police follows a governance framework based on seven principles of good governance as detailed in the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) "*Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales (2016 Edition)*".

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.



An Ethics Committee has been established in Surrey and will be replicated in Sussex. It has an independent Chair and Vice-chair and provides advice to the Forces on ethical dilemmas raised by individuals or departments. Information Management have set up a Surrey and Sussex process for ensuring all policies and procedures are consistent and are supported by consultation with subject matter experts including diversity and staff associations.

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, objectives 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 reports from the Independent Office for Police Conduct (IOPC), detailing the results and lessons learnt from 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 General Data Protection Regulation (GDPR) came into force on 25 May 2018 and now forms part of the data protection regime in the UK, together with the new Data Protection Act 2018 (DPA 2018). The force GDPR action plan was delivered in advance of the implementation date, was given assurance by internal auditors and has now transitioned into business as usual. The Information Commissioner's Office (ICO) have also audited the area of Data Protection Act 2018 in response to training, awareness, governance and risk management.

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, including 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 Joint Surrey and Sussex Police Legitimacy and Ethics Board was renamed in July 2018 as it now includes ethical scrutiny for both forces. The Legitimacy and Ethics Board provides governance over aspects of policing in Surrey and Sussex and aims to ensure that both forces are compliant with relevant Authorised Professional Practice, force policies and HMIC requirements. The Assistant Chief Constable (ACC) for Operations hold divisions and departments to account for a range of issues including Body Worn Video data, Use of Force, Stop and Search, use of Section 63 Road Traffic etc. This links 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 surveys via 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 Surrey Police. Use of 'In the Know' data by the Force continued to increase over the last year, now reaching 96% of the 11,000+ contactable users that are on the 'In The Know' database. The

Force also engages with Independent Advisory Groups, which are partnerships within sections of the community, to encourage the active involvement of people from diverse groups.

Our engagement guide explains to stakeholders and interested members of the public what they can expect from the force 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.

The single online home has been launched in Surrey, which provides a consistent national platform that Forces are signing up to. This will allow the public to access online services in a fast and more effective manner.

During 2018 a comprehensive review of all Surrey Police information sharing agreements was undertaken, with a number refreshed and revised as a result. This ensures the Force can be confident in its sharing arrangements with partners and other organisations in the management of information. Surrey Police works closely with the County Council and Borough and District Councils via a centralised communications group which meets quarterly and ensures that we are sharing partner messages and is another information flow into briefing key stakeholders.

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 the 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. During the year, internal social media training has been delivered to frontline staff to continue to ensure interesting and regular content for the public about what the Force is doing and what the public need to be aware of. This work will continue with an enhanced focus on engagement, not just broadcasting our updates, recognising that this is how the public are increasingly wishing to engage with us.

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 (SRALG) have the overarching governance for risk, including risks identified through the other boards i.e. Force 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 Force 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 Force 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. A comprehensive audit regime supports the Force Audit Plan and Victim Code Compliance.

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. Regular reviews of performance dashboards identify where there are particular hotspots, in particular use of acting / temporary duties and any requirements to forward plan for particular skill requirements.

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.

Surrey Police and Sussex Police published a Joint Leadership Plan in August 2017 from which various activities have taken place within the collaborative space to bring the Joint leadership Plan to life, in line with the principles of the College of Policing, "Guiding Principles of Organisational Leadership" under a branding of "Leading Together". A Development Hub has been developed to support officers and staff in having a central point of reference to Leadership Development Programmes, Competency and Values Framework (CVF), Leadership Framework, Continuing Professional Development (CPD) and national development tools. Leadership capability audit and analysis had been undertaken and training plans and offering were revised in line with findings. A First Line Leaders Development pathway has been developed to enable officers/staff to identify CPD opportunities/tools within the operational and people leadership skill sets to support them on this journey. An Essential Skills Audit for Second and Middle Line leaders started in November 2018. This audit is targeted at substantive Inspectors, Chief Inspectors (uniformed and Detective) and Police Staff equivalents. Supporting first line leaders has been a key priority for people services in 2018/19 and a programme of work has been underway aimed at making things easy, unblocking barriers and developing skills.

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

A revised Performance and Development Review (PDR) process, in line with the College of Policing guidance, called 'FOCUS' was launched during the year alongside a new Surrey and Sussex intranet site and a new 'leadership hub'. This is a new approach to performance and development conversations and has been live since July 2018. Focus will provide individuals with the flexibility, opportunity and space to focus on themselves and supports individual and team contribution to Force performance through:

Feedback – regular, constructive feedback so individuals know how they are performing, receive recognition and identify areas for improvement;

Clarity – on where to direct their effort in terms of work goals and behaviour, aligned with Force priorities; and

Actions – which are agreed to support improvement in their current role.

Focus gives managers support to have good conversations with more flexibility and less bureaucracy.

A Strategic Improvement Unit has been set up to support the force in its demand management arrangements and ensuring completion of all HMICFRMS recommendations and areas for improvement.

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

Technology systems and their performance are monitored on a monthly basis through the publication of availability data aligned to key areas of infrastructure, forcewide and specialist systems. In addition, the performance of the teams within the technology department are also monitored through the publication of a monthly dashboard detailing call queues and fix term fix rates.

The IT Strategy was agreed with Chief Officers and the PCC during 2018 and a risk log relating to the delivery of the plan is in place and monitored via the appropriate forums such as the Strategic Change Board and the PCC's performance meeting.

A Senior Information Risk Officer (SIRO) has been appointed 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.

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 2018/19 completed in line with the Audit Plan referred to above.

Internal Audit opinion

For the 12 months ended 31 March 2019, 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 a review of Governance which focussed on the processes around the Scheme of Governance. We agreed three medium and two low priority actions in relation to this area. The Force and OPCC can take reasonable assurance from this review. The Governance report was finalised in April 2019.

Risk Management - We completed a review of Risk Management and found that the core elements of a risk management framework were in place and largely operating as intended. We noted that continuing efforts are being made to fully implement the intended processes where these were not fully complied with (e.g. to encourage regular risk updates as required by the Surrey Police and OPCC risk management policy) but that these efforts were not effective, in particular relating to review and update of risks by risk owners. We agreed two medium and one low priority action in relation to this review. The Force and OPCC can take reasonable assurance from this review. The Risk Management report was finalised in April 2019.

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

Control - To date, we have undertaken nine audits of the control environment that resulted in formal assurance opinions. These nine reviews concluded with one no assurance (negative) opinion, six reasonable (positive) assurance and two 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 were required in a number of areas.

The Force and OPCC cannot take any assurance from our review of Uniform and Small Assets. We identified significant issues across the core of the processes relating to both issuing of and receipting back Uniforms. This included issues identified in every test completed in relation to compliance testing of Uniform, as well as control design problems with the management of inventory and receipting of Uniforms. Furthermore, with the shared stores now operating between Surrey and Sussex Police the spreadsheet systems used to monitor activities were no longer fit for purpose. We agreed two high and three medium priority actions.

The Force and OPCC can take reasonable assurance from our review of Gifts and Hospitality, Evidential Property, Financial Feeders, Risk Management and Governance. The Force and OPCC can take substantial assurance from our review of Police Officer Allowances and no actions were agreed as a result of this review.

Additionally, we have completed Advisory reviews of Financial Governance – Follow Up and Victim Support (finalised April 2019). The Financial Governance – Follow Up found 11 of the 16 actions raised previously were fully implemented with two ongoing and the remaining three yet to be implemented. Our review of Victim Support found elements covered in the audit scope had been addressed in the design and (pre-delivery) implementation of the service but that the planned for post-implementation review should be completed as intended.

We have also completed a follow up audit, where we have issued a poor progress opinion, concluding that a number of actions previously agreed have either not been implemented, or at still in progress.

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 Force 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. HMICFRS PEEL assessments take place annually and assess police forces on their effectiveness, efficiency and legitimacy. Before 2018, every force received a separate report for each pillar but from 2018/19, the approach was changed to become more integrated. Each force now receives one report, providing a rounded assessment of its performance over the year. The HMICFRS will publish findings from their inspection of Surrey Police later in the year.

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

2017/18 Update:

During 2017/18 Internal Audit issued a no assurance opinion for the Evidential Property review and partial assurance for the Mandatory Training review.

There were 13 recommendations relating to Evidential Property, all have now been implemented and the Internal Audit confirmed in their 2018/19 Annual Report that the Force and OPCC can take reasonable assurance from their review of Evidential Property.

There were two high and two medium recommendations outstanding at the prior year end for the Mandatory Training review which were all been implemented during the 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). Since then a Senior Information Risk Officer (SIRO) has been appointed who is also now reviewing the IT Strategy and refreshing the plans going forward.

Following concerns reported in the previous year within the Joint Finance Team a gold group was set up to oversee improvements required in processes used by the team, along with enhancing scrutiny of the internal management accounts. Since then there have been significant changes to the structure of the team, we are now in the process of implementing recommendations for improvement including stronger governance and introducing a Host Analytics enterprise performance management system.

2018/19 Update:

During 2018/19 Internal Audit issued a no assurance opinion for the Uniform and Small Assets review in January 2019 with 5 recommendations being made (2 high and 3 medium). The current status of these recommendations are that one recommendation has since been implemented and a further review is planned to be carried out during 2019/20.

Internal Audit issued a poor progress opinion for their follow up review, given that it was following up on a number of high priority actions on the IT Governance Framework and Mandatory Training agreed in 2017/18 that will be monitored and followed up by the Force where appropriate.

Further sector reviews found weaknesses across other Police forces on collaborative assurances, GDPR compliance and cyber security. Assurances around wider collaboration and the areas of cyber security and GDPR are therefore other areas that will be monitored and followed up by the Force.

Management have agreed recommendations to address all of the findings reported by the internal audit service during 2018/19, subject to the reports remaining in draft or still to be issued.

Progress on all recommendations are reported to the Joint Audit Committee on a regular basis.

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.



Gavin Stephens

Chief Constable of Surrey

Date: 31 July 2019



Peter Gillett

Executive Director of Commercial
and Finance Services

Date: 31 July 2019

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018	0	0	1,928,827	1,928,827
Opening balance adjustments on adoption of IFRS9	0	0	0	0
Transfer Type 2	0	0	0	0
Transfer Type 3	0	0	0	0
Revised opening balance	0	0	1,928,827	1,928,827
Movement in reserves during 2018/19				
Surplus or deficit on the provision of services	141,391	141,391		141,391
Other Comprehensive Income / Expenditure			87,620	87,620
Total Comprehensive Income and Expenditure	141,391	141,391	87,620	229,011
Adjustments between accounting basis and funding basis under regulations	(141,391)	(141,391)	141,391	0
Increase or Decrease in 2018/19	0	0	229,011	229,011
Balance at 31 March 2019	0	0	2,157,838	2,157,838

	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017	0	0	1,869,384	1,869,384
Opening balance adjustments on adoption of IFRS9	0	0	0	0
Transfer Type 2	0	0	0	0
Transfer Type 3	0	0	0	0
Revised opening balance	0	0	1,869,384	1,869,384
Movement in reserves during 2017/18				
Surplus or deficit on the provision of services	57,205	57,205		57,205
Other Comprehensive Income / Expenditure			2,238	2,238
Total Comprehensive Income and Expenditure	57,205	57,205	2,238	59,443
Adjustments between accounting basis and funding basis under regulations	(57,205)	(57,205)	57,205	0
Increase or Decrease in 2017/18	0	0	59,443	59,443
Balance at 31 March 2018	0	0	1,928,827	1,928,827

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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. Police and Crime Commissioners raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017/18				2018/19		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
125,498	0	125,498	Police Payroll	209,450	0	209,450
6,276	0	6,276	Police Overtime	4,270	0	4,270
71,089	0	71,089	Staff Payroll	72,643	0	72,643
1,841	0	1,841	Staff Overtime	1,437	0	1,437
1,526	0	1,526	Agency	1,048	0	1,048
1,856	0	1,856	Training	1,169	0	1,169
1,478	0	1,478	Other Payroll Costs	1,800	0	1,800
8,348	0	8,348	Premises	9,722	0	9,722
26,076	0	26,076	Supplies and Services	26,297	0	26,297
3,439	0	3,439	Transport	4,460	0	4,460
7,397	0	7,397	Depreciation	8,879	0	8,879
0	(10,244)	(10,244)	Income for Services provided by the Chief Constable	0	(11,860)	(11,860)
0	0	0	Rounding	(1)	0	(1)
254,824	(10,244)	244,580	Cost of Services	341,174	(11,860)	329,314
0	(237,550)	(237,550)	Intra-Group Funding Transfer	0	(237,835)	(237,835)
254,824	(247,794)	7,030	Net Cost of Services	341,174	(249,695)	91,479
612	0	612	21 Other Operating Expenditure	455	0	455
56,627	(7,064)	49,563	20 Financing and Investment Income and Expenditure	57,114	(7,657)	49,457
312,063	(254,858)	57,205	Surplus or Deficit on Provision of Services	398,743	(257,352)	141,391
		2,238	17 Remeasurement of the net defined benefit liability / asset			87,620
		2,238	Other Comprehensive Income and Expenditure			87,620
		59,443	Total Comprehensive Income and Expenditure			229,011

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the reserves. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services. These are referred to as unusable or non-cash backed reserves. This includes reserves for pensions and accumulated absences that recognise the impact of the accounting treatment shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018			31 March 2019	
£000	Notes		£000	
606	09	Short-Term Debtors	110	
606		Current Assets	110	
(602)	10	Short-Term Creditors	(908)	
(606)	11	Provisions	(110)	
(1,208)		Current Liabilities	(1,018)	
(1,928,225)	17	Other Long-Term Liabilities	(2,156,930)	
(1,928,225)		Long Term Liabilities	(2,156,930)	
(1,928,827)		Net Assets	(2,157,838)	
0		Usable Reserves	0	
1,928,827	08	Unusable Reserves	2,157,838	
1,928,827		Total Reserves	2,157,838	

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable of Surrey at the accounting date and of the income and expenditure for the year ended 31 March 2019. These financial statements replace the unaudited financial statements certified on 30 May 2019.



Peter Gillett, Executive Director of Commercial and Financial Services

Date: 31 July 2019

Cash Flow Statement

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

All cash payments are made from the Police Fund which is held by the Police and Crime Commissioner for Surrey. Similarly all income receipts and funding are received by the PCC during the year. This is why the statement doesn't show any cash transactions for the year.

The financial consequences of the Chief Constable's policing activities included in the table above are included in the net (surplus)/defecit as non-cash movements. These can be seen in the Comprehensive Income & Expenditure Account.

2017/18		2018/19	
£000		£000	
57,205	Net (surplus) or deficit on the provision of services	141,391	
(57,205)	Adjustment to surplus or deficit on the provision of services for noncash movements	(141,391)	
0	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	0	
0	Net cash flows from operating activities	0	
0	Net cash flows from investing activities	0	
0	Net cash flows from financing activities	0	
0	Net (increase) or decrease in cash and cash equivalents	0	
0	Cash and cash equivalents at the beginning of the reporting period	0	
0	Cash and cash equivalents at the end of the reporting period	0	

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 organisation structure, reflecting the way in which the organisation 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 has to determine whether items should be recognised in the PCC or Chief Constable accounts. A judgement has been made to include the accounting for all staff pension liability and reserve movements within the Chief Constable's accounts, including those elements that relate to staff employed within the Officer of the Police and Crime Commissioner. This decision was made on the grounds of materiality because the Chief Constable holds the contract of employment for the majority of staff, with the PCC holding contracts of employment for the team of staff in his office. It is estimated that the PCC elements of pensions on a pro rata basis would give less than half of one percent of the total LGPS pension liability relating to staff. Omission of PCC staff pension adjustments from the PCC accounts and/or overstatement of the same figures within the Chief Constable accounts is not considered likely to influence decisions or assessments of users made on the basis of the Financial Statements and the Group position is still correct. This is not therefore considered a material misstatement. In line with best practice going forward, arrangements have been put in place for the next triennial valuation to include separate disclosures for the PCC employee pension which will be reflected in the PCC accounts for the 19/20 Financial Statements.
- **Pensions (Impact of McCloud/Sargeant court of appeal)**

The courts have considered cases regarding the implementation of the 2015 pension reforms. On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of

Appeal's judgement that transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. The government respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied.

The ruling relates to the 'transitional protection' offered to some members when the reformed schemes were introduced. In order to ensure people close to retirement age were treated fairly, the government agreed to the 'transitional protection', which broadly permitted those members who were closest to retirement at the time new pension schemes were introduced to remain members of their respective old schemes. The court has found that those too far away from retirement age to qualify for 'transitional protection' have been unfairly discriminated against. As 'transitional protection' was offered to members of all the main public service schemes, the government believes that the difference in treatment will be remedied across all schemes. This includes schemes for the local government and police.

A decision was therefore made to commission IAS 19 pension actuarial reports to include the impacts of this court case and fully provide for them within the 2018/19 accounts of the PCC Group for both police and staff pension schemes.

- **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

When an event occurs after the Balance Sheet date which provides evidence of conditions that existed at the Balance Sheet date an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any values that reflect the adjusting event. Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but disclosed as a separate note to the accounts. Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue and published.

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 23 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2019, the figures in the financial statements and notes should be adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have therefore been adjusted for the following event which took place after 31 March 2019:

On 27 June 2019 the Supreme Court refused leave to appeal on the McCloud / Sargeant case that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounted to unlawful discrimination. This made the impact on IAS19 Pension Scheme disclosures a certainty rather than a contingency, as noted in more detail within Note 17.

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Government's Actuary's Department have been engaged to provide the Group with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme. These assumptions now include the impact of 'McCloud/Sargeant' transitional protections for both officer and staff pension schemes to better reflect the Fund's local assumptions, particularly those for salary increases and withdrawal rates. The Fund's actuary also carried out calculations in order to estimate the impact that the Guaranteed Minimum Pension (GMP) equalisation will have on the pension fund liabilities.	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 2019. The results of this valuation will be applied in 2019/20 accounts. The accuracy of the outcome relies on assumptions made in a fragile economy, and actual results may be materially different. Quantifying the impact of the 'McCloud/Sargeant' judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The GMP estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

Note 4 - Prior Year Adjustments

The Chief Constable has no prior year adjustments to report.

Note 5 -Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund Balance	2017/18		Net Expenditure in the Compre- hensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2018/19		Net Expenditure in the Compre- hensive Income and Expenditure Statement
	Adjustments				Adjustments		
£000	£000	£000		£000	£000	£000	
81,048	44,450	125,498	Police Payroll	81,885	127,565	209,450	
6,276	0	6,276	Police Overtime	4,270	0	4,270	
58,334	12,755	71,089	Staff Payroll	58,817	13,826	72,643	
1,841	0	1,841	Staff Overtime	1,437	0	1,437	
1,526	0	1,526	Agency	1,048	0	1,048	
1,856	0	1,856	Training	1,169	0	1,169	
1,478	0	1,478	Other Payroll Costs	1,800	0	1,800	
8,348	0	8,348	Premises	9,722	0	9,722	
26,076	0	26,076	Supplies and Services	26,297	0	26,297	
3,439	0	3,439	Transport	4,460	0	4,460	
7,397	0	7,397	Depreciation	8,879	0	8,879	
(10,244)	0	(10,244)	Income	(11,860)	0	(11,860)	
0	0	0	Rounding	(1)	0	(-1)	
1187,375	57,205	244,580	Net Cost of Services	187,923	141,391	329,314	
(187,375)	0	(187,375)	Other Income and Expenditure	(187,923)	0	(187,923)	
0	57,205	57,205	Surplus or Deficit on Provision of Services	0	141,391	141,391	

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.

2018/2019	General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources		
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)	(141,085)	141,085
Changes in fair value of pooled investments	0	0
Holiday pay (transferred to the Accumulated Absences reserve)	(306)	306
Total Adjustments to Revenue Resources	(141,391)	141,391
Total Adjustments	(141,391)	141,391

2017/2018	General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources		
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
Changes in fair value of pooled investments	0	0
Holiday pay (transferred to the Accumulated Absences reserve)	(109)	109
Total Adjustments to Revenue Resources	(57,205)	57,205
Total Adjustments	(57,205)	57,205

Note 7 - Grant Income

Credited to Services

31 March 2018		31 March 2019
£000		£000
(835)	Counter Terrorism	(906)
(242)	Other	(238)
(1,077)	Total	(1,144)

Note 8 - Unusable Reserves

31 March 2018		31 March 2019
£000		£000
1,928,225	Pension Reserve	2,156,930
602	Accumulated Absences Account	908
1,928,827	Total	2,157,838

Pension Reserve

31 March 2018		31 March 2019
£000		£000
1,868,891	Balance 1 April	1,928,225
2,238	Remeasurements of the net defined benefit (liability)/asset	87,620
114,400	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	198,431
(57,304)	Employer's pensions contributions and direct payments to pensioners payable in the year	(57,346)
1,928,225	Balance 31 March	2,156,930

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

31 March 2018		31 March 2019
£000		£000
493	Balance 1 April	602
(493)	Settlement or cancellation of accrual made at the end of the preceding year	(602)
602	Amounts accrued at the end of the current year	908
109	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	306
602	Balance 31 March	908

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2019. 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 31 March 2019 are as follows:

31 March 2018		31 March 2019
£000		£000
606	Other Receivable Amounts	110
606	Total	110

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

Note 10 - Creditors

Payments due at 31 March 2019 are as follows:

31 March 2018		31 March 2019
£000		£000
(602)	Other payables	(908)
(602)	Total Creditors	(908)

This creditor relates to the Accumulated Absences Reserve.

Note 11 - Provisions

Provisions held at 31 March 2019 are as follows:

Current Provisions

2018/19	Restructuring Provision
	£000
Opening Balance	(606)
Increase in provision during year	0
Utilised during year	496
Closing Balance	(110)

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

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 31 March 2019. These change programmes are either in the process of being implemented or will be implemented during 2019/20.

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	£1,730.40 per annum
Chair Allowance	£2,500.00 per annum

Note 13 - Collaborations

The Police and Crime Commissioner and the Chief Constable for Surrey continues to develop joint working arrangements with other agencies principally with other south east region Police and Crime Commissioners and in particular the Sussex Police and Crime Commissioner and Chief Constable.

The Police and Crime Commissioners and Chief Constables of Surrey and Sussex Police have entered into a legal arrangement (section 22A agreement) to provide a number of services jointly with other police forces. Each of these services is managed by one of the forces and includes a mix of staff from both forces. The net cost of each service agreed to be provided jointly under the Section 22A agreement, which cannot be directly attributable to each force, are shared on a formula basis of Surrey 45%; Sussex 55%.

In 2018/19 the services provided jointly, included the Operations and Specialist Crime departments along with a number of support functions and projects. The Police and Crime Commissioners and Chief Constables for Sussex, Surrey and Thames Valley Police continue to deliver a joint project to procure and implement a new Enterprise Resource Planning system (ERP).

Each Force accounts for their share of total income and expenditure and assets in the Comprehensive Income and Expenditure Statement and Balance Sheet respectively. The table below illustrates the Surrey share of the collaborated service costs.

	Surrey Share 2018-19	Surrey Share 2017-18
	£m	£m
Change Delivery	1.0	1.0
Chief Officers	0.4	0.4
Enterprise Resource Planning (ERP) Project	0.7	0.7
Finance	0.6	0.5
Insurance	0.1	0.1
IT	4.1	3.7
IT Projects	0.6	1.0
Procurement	0.2	0.2
Transport	0.7	0.6
Operations Department	15.1	14.4
Health & Safety	0.1	0.1
Specialist Crime Department	14.5	9.4
People Services	3.0	2.3
Digital Enablement	0.5	0.3
Vetting	0.3	0.3
	41.9	35.0

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	2017/2018	2018/2019				
			Total Remuneration £	Salary, Fees & Allowances £	Employers Pension Contribution £	Bonus £	Benefit in kind. Private Use of Vehicle £	Total Remuneration £
Chief Constable-N Ephgrave	18/12/2015	19/01/2019	187,701	140,249	30,920			171,169
Chief Constable-G Stephens	20/01/2019			30,044	7,040		1,073	38,157
Deputy Chief Constable-G Stephens	19/12/2015	19/01/2019	154,257	98,952	23,096		4,319	126,367
Temporary Deputy Chief Constable	20/01/2019			26,570	5,799			32,369
Assistant Chief Constable	23/05/2016	19/01/2019	144,497	100,756	21,774			122,530
Assistant Chief Constable	07/05/2017		113,290	98,419	23,539		3,568	125,526
Temporary Assistant Chief	04/07/2016	19/09/2017	50,466					
Chief Superintendent	01/04/2017		116,439	91,716	20,960			112,676
Chief Superintendent	07/01/2013		111,559	88,462	20,960		3,107	112,529
Chief Superintendent	09/06/2014		114,457	90,517	20,960		4,184	115,661
Chief Superintendent	18/10/2017		51,235	86,459	21,199		2,905	110,563
Chief Superintendent	02/01/2018		26,315	88,547	19,912			108,459
Temporary Chief Superintendent	01/12/2018			30,293	8,990			39,283
Temporary Chief Superintendent	20/12/2015	02/01/2018	86,778					
Chief Superintendent	20/12/2015	19/01/2019	111,032	71,641	16,665		2,731	91,037
Temporary Assistant Chief Constable	20/01/2019			19,549	4,111			23,660
Assistant Chief Officer	27/08/2013		143,585	132,422	16,974			149,396
Temporary Assistant Chief Officer	01/07/2018	31/10/2018		36,283	4,821			41,104
Head of Corporate Communications Note 1	30/04/2013	15/07/2018	85,686	22,356	3,030			25,386
Temporary Head of Corporate Communications- Note 1	16/07/2018			43,025	5,651			48,676
Head of Finance & Services	01/09/2010		101,843	96,491	12,008			108,499
Chief Information Officer	16/11/2015	30/09/2018	143,777	64,510	8,389			72,899
Chief Information Officer	03/12/2018			40,265	5,396			45,661
GROUP TOTAL			1,742,917	1,497,526	302,194	-	21,887	1,821,607

Note 1 : The permanent incumbent was seconded to the Metropolitan Police and a temporary person occupied this position.

Officer Remuneration

Number of Employees

	2017/18	2018/19
£50,001 to £55,000	247	254
£55,001 to £60,000	135	125
£60,001 to £65,000	49	54
£65,001 to £70,000	10	10
£70,001 to £75,000	10	11
£75,001 to £80,000	6	8
£80,001 to £85,000	9	5
£85,001 to £90,000	8	9
£90,001 to £95,000	1	5
£95,001 to £100,000	2	1
£100,001 to £105,000	0	0
£105,001 to £110,000	0	1
£110,001 to £115,000	1	0
£115,001 to £120,000	0	0
£120,001 to £125,000	1	0
£125,001 to £130,000	2	2
£130,001 to £135,000	0	1
£135,001 to £140,000	0	0
£140,001 to £145,000	0	1
£145,001 to £150,000	0	0
£150,001 to £155,000	1	0
Total	482	487

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 (£)	
	2017/18	2018/19	2017/18	2018/19
£0-£20,000	5	11	44,396	144,395
£20,001 - £40,000	11	13	278,682	364,184
£40,001 - £60,000	0	3	0	134,219
£60,001 - £80,000	2	3	143,537	196,129
Total	18	30	466,615	838,927

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

2017/18		2018/19		
Group		CC	PCC	Group
£000		£000	£000	£000
54.0	Fees payable to Ernst & Young (2018/19 external auditors) with regard to external audit services carried out by the appointed auditor for the year	11.6	29.8	41.4
0	Fees payable in respect of other services provided by Grant Thornton (2017/18 external auditors) during the year	0	17.7	17.7
54.0	Total	11.6	47.5	59.1

Note 16 - Related Parties

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

The Chief Executive of the Police and Crime Commissioner for Surrey has written to all Chief Officers of the Chief Constable to collect this information on behalf of the Group. Responses were received from all recipients of the letter and related party transactions are disclosed for the 2018/19 year in respect of Legal services and the Police and Crime Commissioner. Legal services were provided to the Surrey Police Group of circa £1.0m (2017/18 £1.2m) by Weightmans LLP Solicitor in the normal course of business during the year, Ms Hannah Walsh (Solicitor to the Surrey Police Group from 1 April 2017) is employed by Weightmans LLP.

Central Government has effective control over the general operations of Chief Constable as it is responsible for providing the statutory framework within which the Chief Constable operates and provides the majority of funding to the Group. Grants received from Central Government by the Group are set out in the Police and the Crime Commissioner for Surrey Group accounts 2018/19.

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 separate pension schemes for police staff and police officers:

- **The Local Government Pension Scheme (LGPS) for police staff** employees, administered locally by Surrey County Council – this is a funded defined benefit scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Up to 31 March 2014 the scheme was based on final salary but from 1 April 2014 the scheme has been based on career average.
- **The Police Pension Schemes for police officers** – these are 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 2019 have been produced by actuaries. The following transactions reflect the total charges in the Chief Constable's Comprehensive Income and Expenditure Statement. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments for those benefits and to disclose them at the time the employee earns them.

McCloud / Sargeant judgement

The Chief Constable of Surrey, along with the other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (MmccCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the

Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for Surrey Police to be approximately £83.8m of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as Past Service Cost.

The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from the McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process. The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

With regard to the LGPS a similar adjustment to past service costs within the IAS19 Disclosure has been made for the McCloud judgement. This corresponds to approximately £4.8m increase in liabilities for the group. The impact of an increase in scheme liabilities arising from the McCloud / Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates.

General Fund Transactions

2017/18			2018/19		
LGPS	Police Officers	Total	LGPS	Police Officers	Total
£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement					
Cost of Services					
		Service cost comprising:			
19,291	44,460	63,751 Current service cost	18,499	45,260	63,759
26	1,060	1,086 Past service cost	1,425	83,790	85,215
		Financing and Investment Income and Expenditure			
3,103	46,460	49,563 Net interest expense	3,377	46,080	49,457
22,420	91,980	114,400 Total charged to Surplus and Deficit on Provision of Services	23,301	175,130	198,431
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement					
£000	£000	£000	£000	£000	£000
		Re-measurement of the net defined benefit liability comprising:			
2,390	0	2,390 Return on plan assets (excluding the amount included in the net interest expense)	(9,230)	0	(9,230)
122	12,280	12,402 Actuarial gains and losses - experience	20	(6,230)	(6,210)
0	(59,610)	(59,610) Actuarial gains and losses arising on changes in demographic assumptions	0	0	0
(9,834)	56,890	47,056 Actuarial gains and losses arising on changes in financial assumptions	44,300	58,760	103,060
(7,322)	9,560	2,238 Total charged to Other Comprehensive Income and Expenditure Statement	35,090	52,530	87,620
15,098	101,540	116,638 Total charged to the Comprehensive Income and Expenditure Statement	58,391	227,660	286,051

2017/18			2018/19		
LGPS	Police Officers	Total	LGPS	Police Officers	Total
£000	£000	£000	£000	£000	£000
(22,420)	(91,980)	(114,400)	(23,301)	(175,130)	(198,431)
		Reversal of net charges made to the Surplus or Deficit on the Provision of Services			
		Actual amount charged against the general fund balance for pensions in the year:			
9,674	47,630	57,304	9,606	47,740	57,346
(12,746)	(44,350)	(57,096)	(13,695)	(127,390)	(141,085)

2017/18			Pensions Assets and Liabilities Recognised in the Balance Sheet	2018/19		
LGPS	Police Officers	Total		LGPS	Police Officers	Total
£000	£000	£000		£000	£000	£000
(400,358)	(1,808,200)	(2,208,558)	Present value of the defined obligation	(472,985)	(1,988,120)	(2,461,105)
280,333	0	280,333	Fair value of plan assets	304,175	0	304,175
(120,025)	(1,808,200)	(1,928,225)	Net (liability) / asset arising from the defined benefit obligation	(168,810)	(1,988,120)	(2,156,930)

2017/18			Movement in the Value of Scheme Assets	2018/19		
LGPS	Police Officers	Total		LGPS	Police Officers	Total
£000	£000	£000		£000	£000	£000
268,188	0	268,188	Opening fair value of scheme assets	280,333	0	280,333
7,064	0	7,064	Interest income	7,657	0	7,657
		Re-measurement gain / (loss):				
(2,390)	0	(2,390)	- The return on plan assets, excluding the amount included in the net interest expense	9,230	0	9,230
9,674	47,630	57,304	Contributions from employer	9,606	47,740	57,346
3,137	9,020	12,157	Contributions from employees into the scheme	3,094	9,010	12,104
0	100	100	Transfers in	0	350	350
(5,340)	(56,750)	(62,090)	Benefits / transfers paid	(5,745)	(57,100)	(62,845)
280,333	0	280,333	Closing value of scheme assets	304,175	0	304,175

2017/18			Movements in the Fair Value of Scheme Liabilities	2018/19		
LGPS	Police Officers	Total		LGPS	Police Officers	Total
£000	£000	£000		£000	£000	£000
(382,789)	(1,754,290)	(2,137,079)	Opening balance at 1 April	(400,358)	(1,808,200)	(2,208,558)
(19,291)	(44,460)	(63,751)	Current service cost	(18,499)	(45,260)	(63,759)
(10,167)	(46,460)	(56,627)	Interest cost	(11,034)	(46,080)	(57,114)
(3,137)	(9,020)	(12,157)	Contributions from scheme participants	(3,094)	(9,010)	(12,104)
			Re-measurement gains and losses:			
(122)	(12,280)	(12,402)	- Actuarial gains / (losses) - experience	(20)	6,230	6,210
0	59,610	59,610	- Actuarial gains / (losses) from changes in demographic assumptions	0	0	0
9,834	(56,890)	(47,056)	- Actuarial gains / (losses) from changes in financial assumptions	(44,300)	(58,760)	(103,060)
(26)	(1,060)	(1,086)	Past service cost	(1,425)	(83,790)	(85,215)
0	(100)	(100)	Transfers in	0	(350)	(350)
5,340	56,750	62,090	Benefits / transfers paid	5,745	57,100	62,845
(400,358)	(1,808,200)	(2,208,558)	Balance as at 31 March	(472,985)	(1,988,120)	(2,461,105)

LGPS - Pension Scheme - Assets comprised of:

Fair value of scheme assets

2017/18		2018/19
£000		£000
33,209	Cash and cash equivalents	10,479

EQUITY SECURITIES

Equity Securities

22,743	Consumer	8,333
20,617	Manufacturing	5,347
11,302	Energy and Utilities	4,742
19,832	Financial Institutions	4,774
7,491	Health and Care	4,077
15,789	Information Technology	9,112
571	Other	812
98,345	Subtotal EQUITY SECURITIES	37,197

DEBT SECURITIES

Debt Securities

9,732	Corporate Bonds (Investment Grade)	0
614	Corporate Bonds (Non Investment Grade)	0
571	UK Government	0
1,285	Other	0

12,202	Subtotal DEBT SECURITIES	0
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PRIVATE EQUITY

Private Equity

11,766	All	18,241
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11,766	Subtotal PRIVATE EQUITY	18,241
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REAL ESTATE

Real Estate

15,940	UK Property	14,596
104	Overseas Property	5,339

16,044	Subtotal REAL ESTATE	19,935
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**INVESTMENT FUNDS &
UNIT TRUSTS**Investment Funds and
Unit Trusts

77,737	Equities	168,682
30,643	Bonds	51,404
0	Other	0

108,380	Subtotal INVESTMENT FUNDS & UNIT TRUSTS	220,086
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DERIVATIVES

Derivatives

389	Foreign Exchange	1,796
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389	Subtotal DERIVATIVES	1,796
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280,333	Total Assets	307,735
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The significant assumptions used by the actuary have been:

2017/18	LGPS	2018/19
Long term expected rate of return on assets		
2.7%	EQUITY SECURITIES	7.2%
2.7%	DEBT SECURITIES	7.2%
2.7%	PRIVATE EQUITY	7.2%
2.7%	REAL ESTATE	7.2%
2.7%	INVESTMENT FUNDS & UNIT TRUSTS	7.2%
2.7%	DERIVATIVES	7.2%
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	2.5%
2.7%	Rate of increase in salaries	2.8%
2.4%	Rate of increase in pensions	2.5%
2.6%	Rate for discounting scheme liabilities	2.4%

Impact of assumptions on the obligation:

Increase by 1%	LGPS	Decrease by 1%
£000	Assumption	£000
0	Longevity	0
0	Rate of inflation	0
18,138	Rate of increase in salaries	0
104,608	Rate of increase in pensions	0
0	Rate for discounting scheme liabilities	(124,782)

The significant assumptions used by the actuary have been:

2017/18	Police Officers	2018/19
Mortality assumptions		
Longevity at retirement for current pensioners		
22.6	Men	22.7
24.2	Women	24.3
Longevity at retirement for future pensioners		
24.5	Men	24.6
26.1	Women	26.2
Other assumptions		
2.3%	Rate of inflation	2.4%
4.3%	Rate of increase in salaries	4.4%
2.3%	Rate of increase in pensions	2.4%
2.6%	Rate for discounting scheme liabilities	2.5%

Impact of assumptions on the obligation:

Increase by 1%	Police Officers Assumption	Decrease by 1%
£000		£000
48,000	Longevity	0
0	Rate of inflation	0
58,000	Rate of increase in salaries	0
322,000	Rate of increase in pensions	0
0	Rate for discounting scheme liabilities	(406,000)

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 £2,156.9m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of

£2,034.4m. 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 14.25%, 2006 scheme 12.05% and 2015 scheme average rate of 13.22%) 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 £21.1m, offset by a transfer from the Income and Expenditure Account, funded by a grant from the Home Office (£19.1m) and an additional contribution by the Group (£2.0m).

	2017/2018 £000	2018/2019 £000
Contributions Receivable		
From employer at 21.3%:		
Normal	(14,361)	(14,345)
Early retirements	(238)	(774)
Other	0	0
From members	(9,023)	(9,003)
Transfers In		
Individual transfers in from other schemes	(242)	(366)
Benefits Payable:		
Pensions	35,265	37,150
Commutations and lump sum retirement benefits	9,664	6,767
Lump sum death benefits	75	76
Lump sum ill-health benefits	309	1,517
Payments to and on account of leavers		
Refund of contributions	76	60
Individual transfers out to other schemes	82	0
Sub-total for the year before transfer from the Group of amount equal to the deficit	21,607	21,082
Additional 2.9% funding payable by local policing body to meet deficit for the year	(1,955)	(1,953)
Additional funding payable to the Group to fund the deficit for the year	(19,652)	(19,129)
Total	0	0

NET ASSETS STATEMENT	2017/2018 £000	2018/2019 £000
Net current assets and liabilities		
Contributions due from employer	0.0	0.0
Unpaid pension benefits	0.0	0.0
Amount due to sponsoring department	0.0	0.0
Other current assets and liabilities	0.0	0.0
Net assets and liabilities	0.0	0.0

Note 18 - Contingent Liabilities

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Group at 31 March 2019, they exclude potential costs where the liability is not yet established and/or the amounts are uncertain.

At 31 March 2019, the Police and Crime Commissioner and Chief Constable of Surrey Group had the following contingent liability issues:

- Police Regulations On-call Payments**

The Chief Constable for Surrey Police, along with other Chief Constables has a contingent liability following successful claims in the court case Allard v Devon and Cornwall Police for unpaid overtime following recalls to duty.

This case arises from under-cover officers in Devon and Cornwall Police claiming under Police Regulations that they were entitled to on-call payments arising from having to take telephone calls throughout the course of their duties and outside of their normal working hours. This case was upheld against Devon and Cornwall at the High Court and the judge has selected a number of test cases to consider all of the issues arising in these claims against forces across the country.

Whilst the outcome of the legal case is not in doubt, the timings and amount of any payments due to the claimants are yet to be ascertained. Work remains ongoing by all forces to identify all claims and the quantum of each payment that is due. For these reasons no provision has been made in the 2018/19 Statement of Accounts.

- **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. Re-testing is still underway and 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 Chief Constable has no contingent assets to disclose at 31 March 2019.

Note 20 - Financing and Investment Income and Expenditure

2017/18		2018/19
£000		£000
49,563	Net interest on the net defined benefit liability (asset)	49,457
49,563	Total	49,457

Note 21 - Other Operating Expenditure

2017/18		2018/19
£000		£000
612	Levies	455
612	Total Other Operating Expenditure	455

Accounting Policies

General Principles

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the U.K. 2018/19, 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 (IASB) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board (IPSAS) and the UK Accounting Standards Board where these provide additional guidance.

The accounting policies 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 2019.

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.
- **Understandable** – to ensure that the Statement of Accounts produced can be understood by readers who have a reasonable knowledge of business and economic activities.
- **Relevance** – to ensure that the information provided about the 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 2018/2019.

Income and Expenditure Recognition

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

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

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

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

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

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

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, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement, resulting in holiday benefits being charged to revenue in the financial year in which the holiday absence occurs.

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

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

- The Police Pension Scheme (PPS), regulated under the Police Pensions Act 1976
- The New Police Pension Scheme (NPPS), regulated under the Police Pension Regulations 2006
- The Police Pension Scheme 2015 (the 2015 scheme)
- The Local Government Pensions Scheme (LGPS), administered by Surrey County Council

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

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

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

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

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

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

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

- The assets of the LGPS attributable to Surrey Police are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value

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

- **current service cost** - the increase in liabilities as a result of years of service earned this year allocated in the CIES to the services for which the employees worked
- **past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- **interest cost** - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the CIES
- **expected return on assets** - the annual investment return on the fund assets attributable to the Group, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the CIES

- **gains or losses on settlements and curtailments** - the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- **actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
- **contributions paid to the pension fund** - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Group has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the relevant Pension Scheme.

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

VAT

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

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

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.

Events after the Balance Sheet

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

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

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

Reserves

The Chief Constable maintains certain reserves to manage the accounting processes for non-current assets, retirement benefits and other employee benefits that do not represent usable resources for the Chief Constable or the Group.

Overheads and Support Services

The costs of overheads and support services are charged in line with the Code and Police Objective Analysis, the costs of support services are fully allocated to the Group's services.

Provisions and Contingent Liabilities

Provisions

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Chief Constable a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief Constable. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation

cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Accounting Standards issued but not yet adopted

The Code for 2018/19 noted future accounting policy changes will need to be reported in relation to the following accounting standards:

Paragraph 3.3.2.13 of the 2018/19 code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2018/19 and 2019/20 financial statements in respect of accounting changes that are to be introduced in the 2019/20 Code are:

- ISA 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-16 cycle, and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

It is not expected that any of these amendments will have a material impact on the information provided in the financial statements.

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

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.

Police Pensions Fund Account Statements as at 31 March 2019

These statements show the contributions and benefits payable for the year

The Chief Constable is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social responsibility Act 2011. During the year all payments and receipts are made to and from the PCC Police Fund. This standalone statement shows income and expenditure for the police pension schemes and does not form part of the Chief Constable or the PCC Group's statement of accounts.

Surrey Police Pension Fund Account Statement

	As at March 2018		As at March 2019	
	£000	£000	£000	£000
Contributions Receivable				
From Employer:				
- Normal	(14,361)		(14,345)	
- Early Retirements	(238)		(774)	
From Members	(9,023)		(9,003)	
		(23,622)		(24,122)
Transfers In				
Individual Transfers in From Other Schemes		(242)		(366)
Total Inflows		(23,864)		(24,488)
Benefits Payable				
Pensions	35,265		37,150	
Commutations and Lump Sums	9,664		6,767	
Lump Sum Death Benefits	75		76	
Lump Sum Ill-health Benefits	309		1,517	
		45,313		45,510
Payments To and On Account of Leavers				
Refund of Contributions	76		60	
Individual Transfers Out To Other Schemes	82		0	
		158		60
Total Outflows		45,471		45,570
Net amount payable for the year from the Group (equal to deficit amount)		21,607		21,082
Additional contribution from the Group to fund the deficit for the year *		(19,652)		(19,129)
Additional funding payable by the Police Operating Account to meet deficit for the year @ 2.9%**		(1,955)		(1,953)
Net Amount Payable for the Year		0		0

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

** The difference between the deficit on the Pension Account and the amount funded by the Pensions Top-up Grant is met from the Police Operating Account.

Police Pension Fund Net Assets Statement

Net Current Assets And Liabilities	2018/19	2017/18
	£000	£000
Current Assets:		
Contributions due from the PCC	0	0
Recoverable overpayments of pensions	0	0
Current Liabilities:		
Unpaid pensions benefits	0	0
Surplus for the year owing to the PCC	0	0
Net Assets / (Liabilities)	0	0

Police Pension Funds - Notes

Accounting Policies

The Police Pension Account Statements have been prepared to meet the requirements of Regulation 7(1) (d) of the Accounts and Audit Regulations 2003, which states that Chief Constables are obliged to include the police pensions account in their statement of accounts. They also meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards IAS19, as last amended on 16 June 2011. The Accounts have been prepared on an accruals basis. The statements do not take account of liabilities to pay pensions and other benefits in the future. This is reported upon separately in the Actuary's statement.

Explanatory Notes to the Police Pension Fund Account Statements

The Chief Constable is required to include a separate police pension account in their Statement of Accounts and is responsible for paying the pension of its former police officers. The Pension Fund is administered by the Chief Constable in accordance with the Police Pension Fund Regulations 2007 (SI 2007 No 1932).

On 1 April 2006 new arrangements came into being for funding and accounting for the Police Pension Schemes. Before 1 April 2006 these pensions were paid from the Revenue Account and the Authority (preceding the Police Reform and Social Responsibility Act 2011 creating the two corporation sole bodies; the Police and Crime Commissioner for Surrey and the Chief Constable of Surrey) received funding from central government as part of the general funding formula to support payments of pensions. Prior to 1 April 2006, there were no employer contributions based on pensionable pay and no top-up grants.

From 1 April 2006 pensions are paid from a separate local police pensions account, rather than direct from the Income and Expenditure Account. Overall the change to the financial arrangements for police officer pensions is intended to be 'cost neutral' with no impact on either the national or local council tax payer.

There are currently three Police Officer pension schemes. Officers in the 'old scheme' currently contribute between 14.25% and 15.05% depending upon level of basic annual salary (prior to 1 April 2012 officers in the 'old scheme' contributed 11% of pensionable pay). Officers in the 'new scheme' currently contribute between 11.0% and 12.75% depending upon level of basic annual salary (prior to 1 April 2012 officers in the 'new scheme' contributed 9.5% of earnings or 6% if ineligible for ill-health benefits). From 1 April 2015 the Police Pensions Scheme 2015 came into effect and all current active members were transferred to this scheme – with the exception of those qualifying for protections allowing them to remain in their current scheme. Officers contribute between 12.44% and 13.78% depending on their basic salary. The Chief Constable makes an employer's contribution of 21.3% of pensionable pay. Employee's and Employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department. The Police Pension scheme has no assets to cover its liabilities, therefore the total payments to pensioners in any year must be paid for by current officer and employer contributions.

Under the current financing arrangements the Pension Account is balanced to nil at the end of the year. In the event that the Pension Account is in deficit, the Home Office partially reimburse

the Police and Crime Commissioner and the remaining amount required to balance it to nil is met from the Police Operating Account.

The Net Asset Statement does not include liabilities to pay pensions and other benefits after the balance sheet date.

Liabilities to pay future pension benefits have been disclosed separately at Note 15 in accordance with IAS 19 'Employee Benefits'.

The New Police Pension Scheme (NPPS) applies to police entrants who joined the service on or after 6 April 2006 up to 31 March 2015, or who chose to transfer from the previous Police Pension Scheme (PPS) to the NPPS. The Police Pensions Scheme 2015 applies to all current active members who do not qualify for any protections allowing them to remain in their original scheme. Benefits payable under all three schemes are shown in tabular form below:

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