

The Chief Constable of Surrey

DRAFT Statement of Accounts for the
year **2019/20**



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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 2019/20 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 2020.

Surrey is a county in the South East of England, covering 644 square-miles, with one county council, 11 boroughs/districts and 6 major hospitals with A&E departments. 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 resident population is increased significantly by university students and the large numbers who visit, socialise in, or travel through the area each year. The Olympic legacy increased the sporting footprint, with national cycling competitions and Epsom Derby which is the country's largest one-day sporting event attracting over 100,000 racegoers each year.

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.

The complexity of these investigations, especially those involving digital media or communications data or safeguarding issues, continues to increase. The use of technology in offending is an ever increasing issue often directed at those most vulnerable in our county.

Mental health issues continue to impact with an anticipated 12% rise in incidents by 2020. A number of partnership initiatives have been put in place to assist in reducing this demand, including the introduction of a joint police and mental health trust team, to provide a consistent response to high risk and high demand patients to ensure that the response provided by officers is appropriate to the individual's needs.

The force has been focusing on those issues that impact most, safeguarding those who call on our service, cyber enabled crime, sexual assaults and the serious threats of insurgent crime

'County lines' criminality and continues to enhance its partnership problem solving capability in support of neighbourhood policing.

In order to manage these issues for the financial year 2019/20, through the precept increase of £3.8m, the force has been investing heavily in our preventative policing approach and recruiting an additional 104 police officers and staff to support neighbourhood prevention and intervention, safeguarding, cyber-crime and serious organised crime. Due to levels of attrition being higher than planned this ambition was delayed slightly until May 2020 and they are now in place.

Revenue budget underspends achieved during the 2019/20 year were transferred to reserves and provided an opportunity to create a specific Covid-19 reserve of £1.0m at the year-end which can now be used to mitigate some of the costs and loss of income incurred in relation to the Covid-19 pandemic. The PCC has also been considering new initiatives to help residents during the pandemic such as a helpline to be funded from the PCC Operational Reserve.

2. The financial year ahead

The financial year 2020/21 represents an exciting period of growth for Surrey Police but, in light of the current Covid-19 pandemic, will not be without significant challenges.

It is an underestimation to say that we are experiencing huge change with the current health crisis and commitment to the force, colleagues and invaluable work from all employees has been exceptional. We have all had to adapt, very quickly, to new ways of working, to new methods of communicating with each other, and to the new social conditions placed on us and our families. Staff and officers embraced the change taking on tasks beyond the norm with acceptance and willingness, and to continue to support our frontline colleagues as they also face change and uncharted challenges. Some working environments are more difficult than others and wellbeing was especially important during this time, from both physical health and mental health perspectives for both employees and the people we serve.

Procurement, insurance and financial services across Surrey Police and Sussex Police were able to secure procurement of £5m of PPE, facilities teams coordinated and distributed PPE for both forces, buildings continued to stay open and functioning whilst cleaning regimes were changed to incorporate additional cleaning of touch points around police premises, to ensure people remain as safe as possible within the workplace where necessary functions had to remain in HQ and other buildings. The fleet was kept on the roads and maintained throughout.

The impact of Covid-19 is kept under constant review by the Chief Constable through established risk and monitoring processes. Operation Apollo, a 'gold command' governance group was set up to respond to changes as they were publicly announced, maintain a robust control environment to capture issues, assess capacity and capability, manage stakeholder engagement, make decisions and coordinate the Surrey Police response to Covid-19.

Extensive internal and external communications, managed via Operation Apollo issued the latest information, guidance and wellbeing support to staff and officers daily. Activation of 'social distancing' policies and business continuity plans were invoked early on, with non-operational staff mostly working from home and most meetings moved to teleconference or alternative virtual meeting space e.g. Skype or Teams. Redeployment of staff and officers supported the front-line workforce for Operation Apollo and changes in priorities and crime

demands arising from Covid-19. Frequent dialogue was maintained with government officials and key stakeholders.

Detailed monitoring and collation of additional costs of policing resulting from Covid-19 included pay related costs, personal protective equipment (PPE) for frontline staff, IT investment to allow people to work from home and income losses, whilst more flexible use of Government Procurement Cards and local floats facilitated urgent purchases. Immediate payment of invoices helped mitigate risk of failure by essential suppliers in the supply chain. Strategic review of all budget areas for 2020/21 is underway to mitigate costs arising from Covid-19 and support financial sustainability.

Government initiatives to mitigate policing cash flow pressures include early payment of and more flexible use of government grants already granted for use in 2020/21 although no new government funding specifically for Covid-19 costs has yet been agreed.

The commitment from Central Government to provide funding for an additional 20,000 police officers nationwide over the next three years will mean an additional 259 officers for Surrey Police by April 2023, with 78 to be recruited in 2020/21. In addition, a significant increase in precept funding has been agreed by the Police and Crime Commissioner for 2020/21; allowing Surrey Police to recruit a further 26 officers and 52 police staff. In total, therefore, Surrey Police will increase in size by 156 officers and staff over the next twelve months; representing an unprecedented period of growth for the Force.

The prioritisation of these additional resources has been considered carefully; in line with Force priorities, cognisant of areas of increasing demand, and focussed on long-term improvements to best serve our communities. Some of this investment will enable the Force to establish new teams with new ways of working based on the best evidence of good practice from this Force and others. Other investment will enable existing teams to increase their resources in line with growing demand and changing social need.

New teams that will be established over the next twelve months include:

- A Resolution Centre that will focus on a significant proportion of volume crime; giving members of the public a faster response to their issues, and allowing the Force to identify and act upon lines of enquiry at an earlier stage.
- Divisional Proactive Teams that will give local officers tactical support to proactively tackle the most significant issues for local people; solving problems more quickly and effectively.
- Domestic Abuse Caseworkers that will provide essential support and encouragement to survivors of domestic abuse as their cases progress through the criminal justice system.
- Dedicated social media officers within the Contact Centre that will enable the public to contact the Force in a wider range of ways that suit them.

Existing teams that will be increased in size over the next twelve months range from specialist economic, cyber and digital forensics teams, recognising the continued growth in crime enabled by new technologies, to more local teams such as Neighbourhood Specialist Officers and operational dog officers.

At the same time as investing in additional staff, Surrey Police will undertake two significant change projects over the next twelve months to further enhance its capability and capacity:

- The Investigative Structure Review will conduct a thorough review of the structure of the Force's Criminal Investigations Departments and Safeguarding Investigations Units, based on initial scoping of nationwide best practice already undertaken, to improve the investigation of the most complex and harmful crimes; resulting in improved service to, and outcomes for, victims of crime.
- The Volume Crime Investigation Improvement Plan will build upon existing work and good practice from around the country to improve the Force's investigation of volume crime; focussing on training for staff and refinement of processes to better investigate the majority of crimes reported to the Force.

Surrey Police has been planning these investments and change programmes for the last six months, to ensure best value for the public of Surrey. In that time, however, the Covid-19 pandemic has radically changed the demands upon, and the working practices of, the Force. Surrey Police has taken the necessary steps to adapt its ways of working to meet this crisis, and is constantly reviewing its performance in light of the changing circumstances. Surrey Police is working closely with local and national partners in supporting health agencies to combat the virus and maintain public services. Over the next twelve months, Surrey Police will continue to work with partners to adapt to a new normality, and to embed the best of this partnership work to enhance its performance going forwards.

3. 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 2019/20 relating to the Chief Constable. The consolidated Group position including the Chief Constable and PCC, have been prepared in a separate Statement of Accounts.

4. The Statement of Accounts

The Financial Statements for 2019/20, which follow this narrative report have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 Based on International Financial Reporting Standards) issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and comprise of:

Comprehensive Income and Expenditure Statement (CIES)

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 (MIRS)

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 31 March for the current and prior years. The net liabilities (assets less liabilities) are matched by the total 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 the net cash impact is £Nil in these accounts. Movements of monies are included

in the PCC's Statement of Accounts and only the net deficit on the provision of services and adjustments for non-cash movements are included in the Chief Constables cash flow statement.

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.

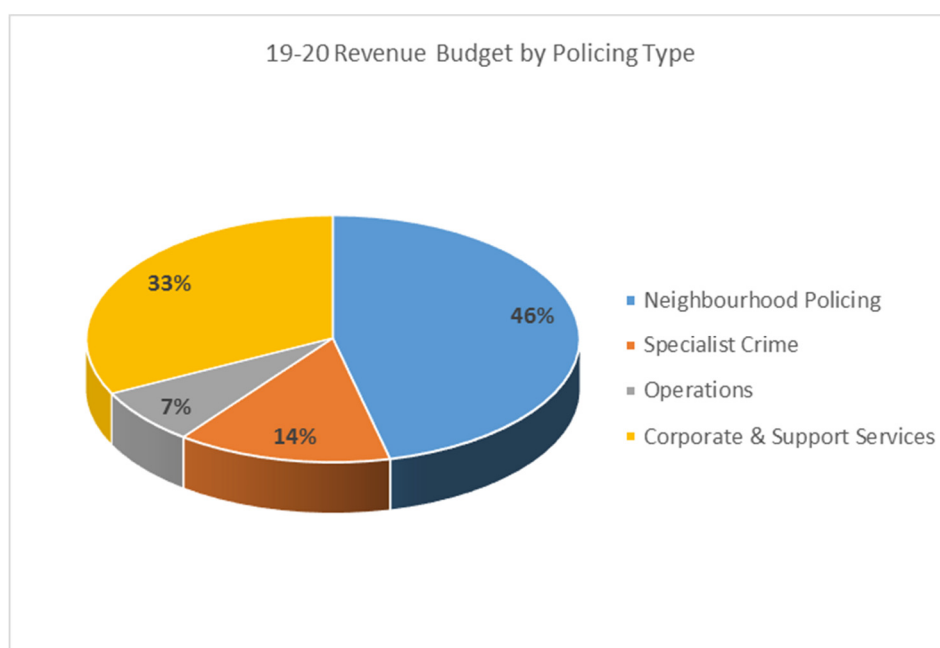
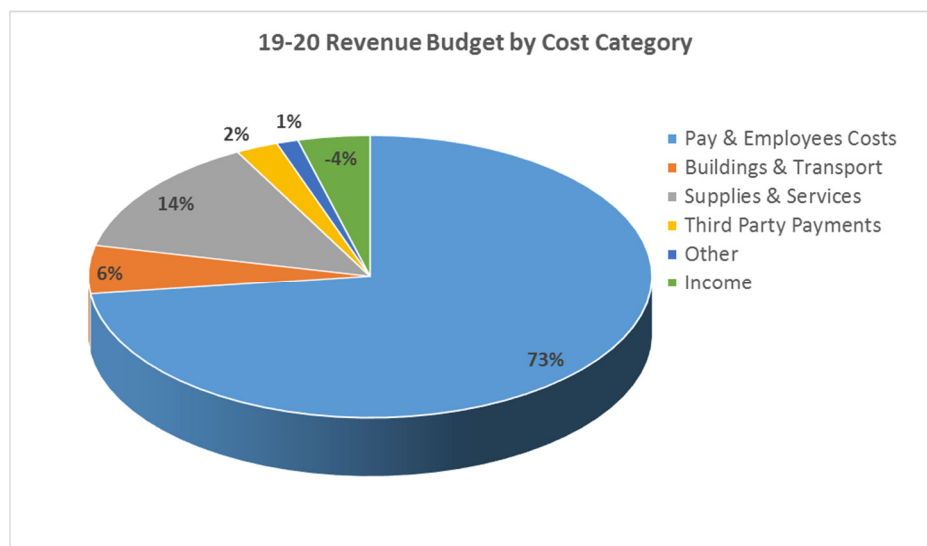
The Accounts and Audit (England) Regulations 2015 require that the Annual Governance Statement (AGS) should accompany the Statement of Accounts. The Chief Constable's AGS is included within this Statement of Accounts and explains the governance processes and procedures in place to enable the Chief Constable to carry out functions effectively by highlighting the internal control environment, commenting on effectiveness and identifying issues for future work.

5. 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 2019/20, was set at £250.0m (2018/19 £235.1m) of which £247.9m (2018/19 £233.0m) was attributed to policing under the direction of the Chief Constable for the year, the remaining gross revenue budget being attributed to the cost of administering the Office of the PCC.

The following charts show a summary of the annual revenue budget by types of subjective expenditure and by types of policing expenditure.



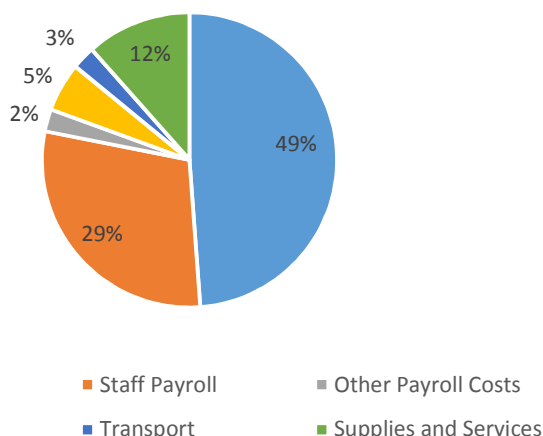
The capital budget included planned expenditure and receipts from sales in line with the Estates Strategy, improvements to IT infrastructure, replacement programmes for fleet and operational equipment and major projects including digital policing.

Final Revenue Outturn

Actual expenditure attributable to policing under the direction of the Chief Constable was £231.6m (2018/19 £212.0m), against a budget of £231.9m (2018/19 £212.6m) resulting in underspend of £0.3m 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 2019/20 by cost type for the year.

2019/20 Chief Constable Outturn



Expenditure & Income Categories	2019/20		
	Actual	Budget	Variance
<i>Police Payroll</i>	111.0	110.8	0.2
<i>Police Overtime</i>	4.8	3.5	1.3
<i>Staff Payroll</i>	65.9	69.6	(3.7)
<i>Staff Overtime</i>	1.5	1.1	0.4
<i>Agency</i>	2.0	1.4	0.6
<i>Training</i>	1.5	1.3	0.2
<i>Other Payroll Costs</i>	4.3	4.1	0.2
Total Employee Costs	191.0	191.8	(0.8)
Premises	12.7	10.8	1.9
Transport	6.1	5.1	1.0
Supplies and Services	27.3	30.6	(3.3)
Financing	7.0	4.1	2.9
Income and Grants	(12.5)	(10.5)	(2.0)
Chief Constable Net Expenditure	231.6	231.9	(0.3)

The Chief Constable establishment for police officers for the year was under the original budget plan but resulted in an overspend due to officer rates higher than budgeted, combined with an 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 £0.3m.

Factors contributing to this underspend position include:

Significant areas of underspend

- Police Staff £3.7m Shortfall of 161 staff
- Supplies and Services £3.3m IT Projects delayed
- Income £3.1m Increase in cost recovery for Camera Partnership and Cyber Crime funding

Significant areas of overspend

- Police Officer overtime £1.3m
- Premises related expenditure £2.0m due to essential works being carried out and costs for the new headquarters at Leatherhead

- Transport £1.0m for workshop costs.
- Financing £3.0m relating to contributions to capital for various projects and extra costs re PWLB loan for new offices

The 2019/20 underspend of £0.3m will be used in accordance with the approved Medium Term Financial Plan and 2019/20 outturn report.

The Chief Constable proposed to carry forward a total of £0.3m to fund additional investments.

Comprehensive Income and Expenditure Statement (CIES)

Actual expenditure for the year ended for the year ended 31 March 2020 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.

The following table reconciles Chief Constable's net operational expenditure for 2019/20 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.

2018/19 CC £m		2019/20 CC £m
212.0	Operational Delivery Net Expenditure per revenue outturn report 2019/20	231.6
	Reserve and Provision transfers excluded from (Surplus)/Deficit on Provision of Services:	
0.2	Usable Reserves	(2.6)
(2.2)	Financial year end accounting adjustments	(6.6)
	Amounts in the CIES not in the outturn report:	
9.0	Depreciation & amortisation	11.2
110.3	Pensions	55.9
329.3	Net Cost of Services	289.5
(237.8)	Intra-group Adjustment from PCC to CC for resources consumed at the request of the Chief Constable	(251.3)
49.4	Pension Interest costs and expected return on pension assets	53.2
0.5	Levies & other operating expenditure	0.5
91.9	Deficit on the provision of services	91.9
87.6	Re-measurement of the net defined benefit liability/asset	(192.8)
229.0	Total Comprehensive Income and Expenditure	(100.9)

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.

2018/19 Net Expenditure £m	Summary of Chief Constables CIES	2018/19 Net Expenditure £m
245.5	Cost of Services	289.5
	Other Operating Expenditure	
0.5	Levies	0.5
(154.0)	Intra-Group Funding	(251.3)
	Financing and Investment Income & Expenditure	
49.4	Pension Interest Cost	53.2
	Other Comprehensive Income and Expenditure	
87.6	Re-measurement of the net defined benefit liability/asset	(192.8)
229.0	Total Comprehensive Income and Expenditure	(100.9)

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 capital budget for 2019/20 was first approved by the PCC in February 2019 at £22.8m including capital slippage from 2018/19. The force runs a flexible programme managing schemes over a rolling 2 year period enabling work to be brought forward or deferred. During the year agreed budget changes, known as virements, resulted in a revised capital budget of £20.7m.

Actual expenditure for the year against the final revised 2019/20 Capital and Investment budget of £20.7m was £9.4m as set out below.

CAPITAL BUDGET OUTTURN 2019/20				
	Actual £m	Revised Budget £m	Variance over/ (under)spend	
			£m	%
IT Strategy	1.0	5.1	(4.1)	(80%)
Fleet Strategy	3.6	3.8	(0.2)	(5%)
Estates Strategy	1.7	5.8	(4.1)	(71%)
Local Policing	1.2	3.2	(2.0)	(63%)
Specialist Crime	1.2	1.7	(0.5)	(29%)
Operations	0.7	1.1	(0.4)	(36%)
Total	9.4	20.7	(11.3)	(55%)

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 2020 £m	31 March 2019 £m	Movement £m
Current Assets	0.1	0.1	0.0
Current Liabilities	(1.2)	(1.0)	(0.2)
Long term Liabilities	(2,055.8)	(2,156.9)	101.1
Net Liabilities	(2,056.9)	(2,157.8)	100.9
Financed by			
Pensions Reserves	(2,055.8)	(2,156.9)	101.1
Accumulated Absences Account	(1.1)	(0.9)	(0.2)
Total Reserves	(2,056.9)	(2,157.8)	100.9

The movement between years was £100.9m. This is predominantly due to an increase in the long term pension liability of £101.1m 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). 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 Local Government Pension Scheme (LGPS) and police officers can join the Police Pension Scheme. They are both defined benefit schemes but differ in their operation. A fuller explanation is provided in the Notes to the Financial Statements.

Although benefits from these schemes will not be payable until an officer or staff member retires, the Chief Constable and PCC Group is required to disclose this future 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).

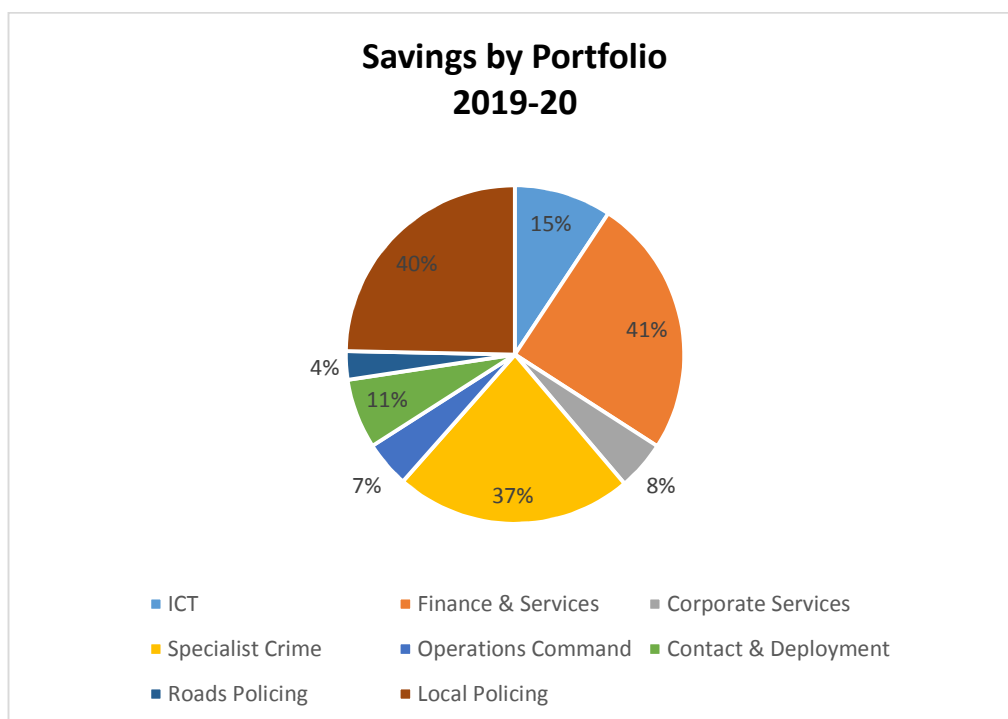
Accounting for this commitment has a substantial impact on the net worth of the Balance Sheet, resulting in a negative reserves on the Balance Sheet totalling £2,056.9m (2018/19 £2,157.8m). The police pension scheme has the majority share of the deficit at £2,055.9m (2018/19 £1,924.3m). Statutory arrangements 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 and the employer's contribution is adjusted in line with the actuary's recommendations. The latest triennial valuation completed in April 2019 resulted in employer's contributions being increased from 14.5% with an additional payment of £2.587m in 2019/20 to 16.5% from April 2020 until March 2023 with additional payments of £1.842m, £1.902m and 1.964m for the years ended March 2021, 2022 and 2023 respectively. The additional payments to the pension fund are to repay the deficit, known as the additional monetary amount.

For the police officers pension fund the employer's contribution rate for the 2019/20 year was set at 31.0%. In 2019/20 costs in excess of the employer's contribution were met by the Home Office by way of the Pension Top-Up Grant and an additional grant of £2.0m.

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 2019/20 totalled £2.8m and is shown by portfolio in the chart below.



Within the organisation we continue to develop innovative working practices to maximise our efficiency. This includes investing in better Body Worn Video technology, managing digital evidence and sharing information more effectively.

We are monitoring the effectiveness of our digital investments and have, for example, seen huge benefits to officers using Mobile Data Terminals (MDTs) while out in the community. We are equipping all employees with the right skills and tools to work in a modern way, whilst they face increasingly complex policing challenges, and provide increased visibility and reassurance to the community.

With further investment we can further strengthen our position – prevent more crimes, catch more criminals, protect more victims, solve more crimes and keep Surrey even safer.

Recently, new operating models were implemented for the Specialist Crime Capabilities Programme and Operations command to 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 ensure that both Forces are well positioned to deliver their change strategies on an individual, bilateral and regional basis. A

Digital Division will 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 requirements for 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 and Sussex Police are leading on a new project to address the risk posed by the seizure and retention of cryptocurrency, involving cyber-crime and insurance teams. Facilities teams are trialling the use of tablet devices for recording compliance checks across the police estate. Insurance and transport teams have implemented a new electronic Driver Management System for recording driver records.

Surrey Police are committed to continuous improvement in their arrangements for programme, project and financial management as demonstrated through a number of key initiatives and programmes, including;

Financial Excellence: Surrey 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) solution 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 were carried out and the Chief Constables are undertook a bespoke and detailed contractual, commercial and technical review to provide assurance of implementation dates and project costs. In line with our governance arrangements the three Chief Constables present their plans and recommendations to the PCCs for scrutiny and approval and the final decisions will be published. The internal costs incurred by Surrey during 2019/20 were £1.9m and the total cost incurred by Surrey is £5.7m to the end of 2019/20.

Regional collaboration continues with five police forces (Thames Valley, Hampshire, Sussex, Surrey and Kent) working together on counter terrorism and tackling serious and organised crime. This is governed by a joint regional oversight board which the five PCCs chair in rotation. During the year development also started on a Western Hub for the South East Regional Organised Crime Unit.

The site for a new Force headquarters was purchased last year and will see a new operational HQ based out of Leatherhead. The project is expected to take at least four to five years to complete, including plans to dispose of current outdated and costly buildings and creating a modern and cost-effective estate that will allow the Force to meet the challenges of modern policing.

All police forces are inspected by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and Surrey Police was rated overall as good for effectiveness, efficiency and legitimacy. HMICFS noted the extent to which the force is effective at reducing crime and keeping people safe is good. The force was found to be outstanding at preventing crime and anti-social behaviour, engaging well with its communities and partner organisations to understand and solve neighbourhood problems and working effectively with partners to identify and protect vulnerable people. HMICFRS noted the extent to which the force treats the public and its workforce is also good and that room for improvement was noted in the extent to which the force operates efficiently and sustainably.

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 2020/21 was set by the PCC at £250.0m (2019/20 £235.1m) of which the Chief Constable's budget amounted to £247.9m (2018/19 £212.6m). In 2020/21, the force will receive extra funding for an extra 78 police officers as part of the government's programme to increase numbers nationally by 20,000 over the next three years. This will further be boosted by the 3.8% rise in this year's council tax precept allowing Surrey Police to recruit a further 26 officers and 52 police support staff.

Details of the PCC's plans for revenue and capital expenditure in 2020/21 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.

If you have any questions, comments or suggestions about these financial statements please contact us using the following email address: CorporateFinance@Surrey.pnn.police.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

External Auditor's Report

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Statement of Responsibilities

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 2020.

Gavin Stephens
Chief Constable of Surrey Police

Date:

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 2020. These financial statements are unaudited and as such may be subject to change.



Peter Gillett
Executive Director of Commercial and Financial Services

Date: 30 June 2020



Surrey Police
Chief Constable's Annual Governance Statement 2019-20

1 Introduction

- 1.1 This annual governance statement sets out how Surrey Police has complied with the corporate governance framework set out in the Code of Corporate Governance for the Surrey Police and Crime Commissioner (PCC) and the Chief Constable¹ in place for the year ended 31 March 2020. It also details areas of improvement to further enhance governance arrangements that the force plans to progress during 2020-21.
- 1.2 It is designed to complement the annual governance statement of the Surrey PCC, to give the full picture of governance within Surrey Police and the Office of the PCC.
- 1.3 This statement is informed by an annual review of governance arrangements with assurance on compliance with the seven principles of the Code of Corporate Governance, by on-going audit inspection and external review.
- 1.4 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England). This term 'authority' includes the Chief Constable and the Police and Crime Commissioner legal entities. This requirement is reflected in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 published by the Chartered Institute of Public Finance & Accountancy (CIPFA).

2 In response to Covid-19

- 2.1 The annual governance statement (AGS) needs to be current at the final date of publication which may be later than previous years due to the extended deadlines for statutory reporting for 2019-20. As a result of Covid-19, statutory deadlines for the draft AGS was extended from 31 July to 31 August 2020 with the final AGS (ideally post-audit) extended to 30 November 2020.
- 2.2 The AGS assesses governance in place during the 2019/20 financial year so the majority of the year will be unaffected by the Covid-19 coronavirus pandemic. However Covid-19 did impact on governance arrangements during March 2020 and represents a significant governance issue beyond 31 March 2020. The impact of Covid-19 on existing governance arrangements is under constant review through established risk monitoring processes. The Chief Constable is keeping under continuous review the impact of Covid-19 on the operation of the force and partner organisations.
- 2.3 As part of the Coronavirus Bill 2020 two new powers were given to the police:
 - Powers Relating to Potentially Infectious Persons – Schedule 20;
 - Powers to Issue Directions Relating to Events, Gathering and Premises – Schedule 21In Surrey Police these powers are used only on the express direction of specific individuals.
- 2.4 Operation Apollo, a 'gold command' governance group, set up to respond to changes as they were publicly announced, maintained a robust control environment to capture issues, assess capacity and capability, manage stakeholder engagement, make decisions and coordinate the Surrey Police response to Covid-19.
- 2.5 Extensive internal and external communications, managed via Operation Apollo issued the latest information and guidance to staff and officers daily to include; briefings, operational guidance, intelligence updates, personal guidance, line manager advice, staff impact and wellbeing resources.
- 2.6 Activation of 'social distancing' policies and business continuity plans were invoked early on:
 - Employees were instructed to avoid unnecessary travel and non-essential physical contact;
 - Familiarity with PPE guidance promoted in recognition of inevitable physical contact in policing
 - NHS hygiene advice made available to all staff and officers;

¹ [Code of Corporate Governance](https://www.surrey-pcc.gov.uk/media/4781/code-of-corporate-governance-v9-2020.pdf) <https://www.surrey-pcc.gov.uk/media/4781/code-of-corporate-governance-v9-2020.pdf>

- Managers encouraged to support remote/home working for non-operational staff;
 - Face to face meetings, wherever possible were moved to teleconference or alternative virtual meeting space e.g. Skype;
 - Non-urgent meetings, events and conferences cancelled or postponed in consultation with stakeholders.
- 2.7 Instruction was given mid-March for all staff to work from home where possible in line with restrictions on public life made by the UK Government to slow the effects of Coronavirus and protect NHS resources.
- 2.8 Other changes to governance arrangements as a result of Covid-19 include:
- Force command structure across Surrey Police and Sussex Police changes to increase resilience around the policing response;
 - Redeployment of staff to support the front-line workforce and Operation Apollo;
 - Redeployment of officers to changes in priorities and crime demands arising from Covid-19;
 - Frequent dialogue maintained with government officials and key stakeholders on the financial impact on policing resulting from Covid-19;
 - Monitoring and approval process through Operation Apollo to deal with additional costs e.g. pay related costs, personal protective equipment (PPE) for frontline staff, IT investment to allow people to work from home and income losses;
 - More flexible use of Government Procurement Cards and increased local floats to facilitate urgent purchases.
- 2.9 Since 31 March 2020 the following governance issues arose relating to Covid-19:
- National procurement contribution towards personal protective equipment (£5m Surrey Police & Sussex Police) requiring legal and procurement expertise and cash flow management;
 - Strategic review of budgets, existing projects and capital programmes with a view to mitigate costs arising from Covid-19 and support financial sustainability;
 - Supply chain management including immediate payment of suppliers and/or exceptional payments in advance to mitigate risk of failure by essential suppliers;
 - Greater likelihood of borrowing requirement due to additional costs and potential reductions in income impact on medium term financial planning.

3 Scope of Responsibilities

- 3.1 The Chief Constable and the PCC are responsible for ensuring business is conducted in accordance with the law and proper standards, and that public money is safeguarded and is properly accounted for.
- 3.2 Under the Policing Protocol 2011 the PCC has responsibility for the delivery of efficient and effective policing, management of resources and expenditure by the police force. The PCC has a statutory responsibility to obtain views from the community and victims of crime about the policing of the Force area and must take into account the views of responsible authorities. These views inform the PCC's Police and Crime Plan which sets the strategic direction and priorities for the Force.
- 3.3 The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services provided by Surrey Police (the Force), having regard to the strategic direction and priorities set by the PCC in the Police and Crime Plan. In discharging this overall responsibility, the Chief Constable is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control, which facilitates the effective exercise of these functions.

- 3.4 Surrey Police continues to follow the principles of the CIPFA Framework: ‘Delivering Good Governance in Local Government’² and the guidance notes for policing bodies (revised 2016)³.
- 3.5 This statement explains how the Force has complied with the principles and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.
- 3.6 The Force’s financial management arrangements conform to the governance requirements of CIPFA’s Statement on ‘The role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (July 2012)’⁴.

4 The Purpose of the Governance Framework

- 4.1 The governance framework comprises the systems, processes, culture and values by which the Force is directed and controlled, together with its activities through which it accounts to and engages with the community.
- 4.2 It enables the Force to monitor the achievement of its strategic objectives, as set out by the PCC in the Police and Crime Plan⁵ and the Strategic Policing Requirement⁶, and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.
- 4.3 The fundamental function of good governance in the public sector is to ensure that intended outcomes are achieved whilst acting in the public interest at all times.

5 The Governance Framework

- 5.1 The Chief Constable of Surrey Police is responsible for operational policing matters, direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The PCC is required to hold him/her to account for the exercise of those functions and those of the persons under his/her direction and control. It therefore follows that the PCC must be assured that the Force has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.
- 5.2 A governance framework, collectively known as the Scheme of Corporate Governance, has been in place for the year ended 31 March 2020 and includes the Code of Corporate Governance, Memorandum of Understanding, Decision-making Framework, Scheme of Delegation, Financial Regulations and Contract Standing Orders. The Force system of internal control, based on a framework of policies and procedures, is a significant part of the Force governance framework and is designed to manage risk to a reasonable and foreseeable level. The Force cannot eliminate all risk of failure to achieve policies, aims and objectives; it can only provide reasonable but not absolute assurance of effectiveness.
- 5.3 The Code of Corporate Governance for the Surrey Police and Crime Commissioner and Chief Constable for Surrey Police and all strategic governance documents that comprise the Scheme of Corporate Governance were reviewed in 2019-20 as part of the annual review of governance documentation and are available on the PCC’s website⁷. The joint Code provides a summary of governance arrangements setting out responsibilities.

² “Delivering Good Governance in Local Government” <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

³ “Delivering Good Governance in Local Government” and the guidance notes for policing bodies (revised 2016) <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-guidance-notes-for-policing-bodies-in-england-and-wales-2016-edition>

⁴ The role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (July 2012) <http://www.cipfa.org/policy-and-guidance/reports/cipfa-statement-on-the-role-of-the-chief-financial-officer-of-the-police-and-crime-commissioner-and-the-chief-finance-officer-of-the-chief-constable>

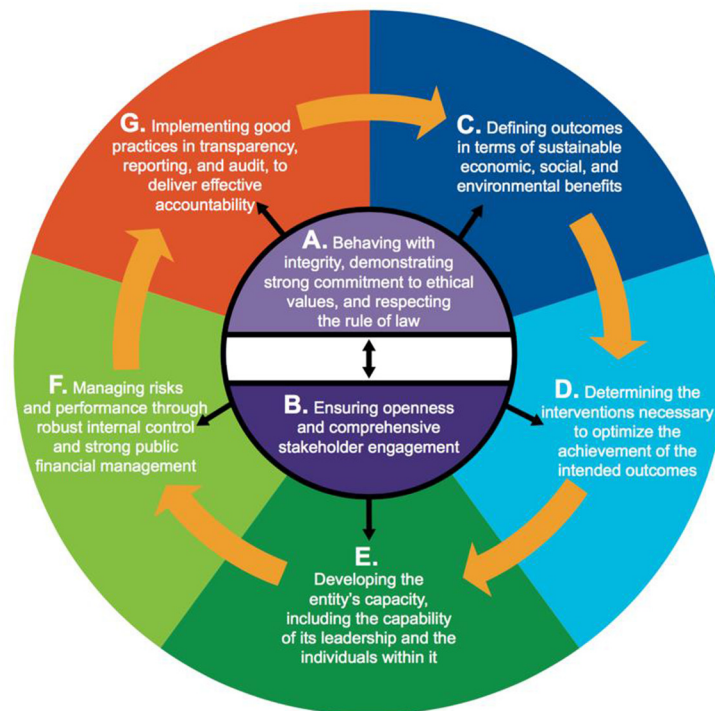
⁵ Police and Crime Plan: [Police & Crime Plan](#)

⁶ Strategic Policing Requirement: <https://www.gov.uk/government/publications/strategic-policing-requirement>

⁷ Governance Documents: <https://www.surrey-pcc.gov.uk/transparency/key-responsibilities/>

The Code also details a diarised programme for the regular review of policies. A key element of this is the identification and management of risk.

- 5.4 Governance arrangements for both the Force and the PCC follow the seven principles as set out in the revised Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales (2016 Edition). The diagram below illustrates the various principles of good governance in the public sector and how they relate to each other. A summary of how the force complies with these principles is detailed below.



5.5 **Principle of Good Governance: A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

To achieve this, the Chief Constable has:

- ensured that officers and staff carry out their respective roles in a climate of openness, support and respect;
- developed standards of conduct and personal behaviour which are defined and communicated through appropriate codes of conduct and protocols and the policing Code of Ethics;
- communicated that all managers and supervisors at all levels of the Force should set a good example and challenge any behaviour that does not meet the Code of Ethics and to clearly communicate the Force's values, standards, expectations and priorities;
- continued the Ethics Committee with an Independent Chair and Vice-chair to provide advice to the Force on ethical dilemmas raised by individuals or departments, with Information Management process in place to ensure policies and procedures are consistent and developed in consultation with subject matter experts including diversity and staff associations;
- in place arrangements for the reporting of all financial irregularities to senior managers and Section 151 officers via the Financial Regulations;
- ensured that an Equality, Diversity and Human Rights (EDHR) strategy is in place, overseen by the EDHR Board to link EDHR aims, objectives and outcomes with Force vision and priorities;
- continued to emphasise to staff the importance of crime data integrity, compliant with the national standards for crime recording, to ensure effective crime investigation and prevention (Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook an inspection of crime data integrity in Surrey Police⁸ and assessed the Force as "Good");

⁸ HMIC Crime Data Integrity inspection report 2018 Surrey Police: <https://www.justiceinspectorates.gov.uk/hmicfrs/publications/surrey-crime-data-integrity-inspection-2018/>

- ensured ethical application of Home Office Counting rules via the Strategic Crime and Incident Recording Group monitoring via the Data Quality Action Plan;
- ensured a policy on anti-fraud, bribery and corruption is in place (updated July 2018)⁹ which clearly sets out the procedures to be operated and which is designed to encourage prevention, promote detection and identify a clear pathway for the investigation of fraudulent and/or corrupt practices or behaviour;
- ensured that the Force is compliant with all relevant anti money laundering legislation;
- ensured accessible, appropriate and long established whistle-blowing arrangements and processes in place and that these are regularly reviewed e.g. “Anonymous Contact” confidential and independent web based reporting system;
- ensured that the requirements of the Policing and Crime Act 2017 relating to police conduct reforms were implemented (effective from February 1st 2020), establishing procedures for dealing with and investigating complaints which are in line with legal requirements and national guidelines;
- ensured that Surrey Police remains proactive in preventing and responding to cases involving “Abuse of Authority”, which includes raising awareness for staff, two new joint Surrey and Sussex policies are being developed in 2020 to give clear guidance on standards of sexual integrity expected entitled “Abuse of Authority for Sexual and Emotional Gain” and “Professional Boundaries and Appropriate Personal Relationships and Behaviours in the Workplace” to be launched with a bespoke NCALT training package;
- ensured that officers and staff have easy reference to key information that relates to integrity accessible through the Force intranet;
- ensured that media engagement policy is in place relating to media relations, integrity and use of social media;
- ensured that staff and officers have been provided with and understand training in unconscious bias;
- regularly published chief officer expenses, gifts and hospitality (received and declined) and outside business interests of senior officers and staff with quarterly reports subject to oversight by Joint Audit Committee, Head of Professional Standards Department and the PCC;
- ensured there is a Force policy regarding use of force, and that it is compliant with Independent Office of Police Conduct (IOPC), (formerly the Independent Police Complaints Commission), report recommendations¹⁰, which includes the responsibility to fully document at the earliest opportunity the extent and method of force used, and the rationale for that force;
- considers divisional and IOPC reports published by the Professional Standards Department detailing results and lessons learnt from complaints and investigations to provide further guidance to all employees;
- ensured that the Force has met its equality and diversity obligations as set out in the Equality Act 2010 and the Public Sector Equality Duty 2011;
- a force Criminal Justice team responsible for keeping the Force up to date with changes in national criminal justice and legislation, with the Force Policy and Procedure team overseeing appropriate policies.
- continued to develop the work of the Legitimacy and Ethics Board (formed jointly with Sussex Police in 2017), to ensure that both forces are compliant with relevant Authorised Professional Practice and forces’ policies and to improve the scrutiny and governance arrangements in relation to key aspects of policing in Surrey and Sussex, including Stop and Search, Use of Force and the use of body worn video.

In 2018-19 HMICFRS assessed Surrey Police through the PEEL (police effectiveness, efficiency and legitimacy) programme of inspections and assessed Surrey as “Good” for Legitimacy, confirming that Surrey Police works hard to promote a no-blame, ethical, learning culture¹¹.

5.6 ***Principle of Good Governance: B Ensuring openness and comprehensive stakeholder engagement.***

To achieve this, the Chief Constable has:

- 9 meetings with the PCC every 6 weeks for alternate public webcast, and private scrutiny, meetings to report on progress against the PCC’s Police and Crime Plan;

⁹ Anti-Fraud, Bribery and Corruption Policy: <https://www.surrey.police.uk/SysSiteAssets/foi-media/surrey/policies/anti-fraud-corruption-and-bribery-policy.pdf>

¹⁰ IOPC Use of Force: https://www.policeconduct.gov.uk/sites/default/files/Documents/research-learning/IPCC_Use_Of_Force_Report.pdf

¹¹ HMICFRS PEEL assessment: <https://www.justiceinspectorates.gov.uk/hmicfrs/peel-assessments/peel-2018/surrey/>

- 10 ensured that Force engagement with the public takes place on many levels, from daily street contact and phone calls through to contact via social media (Facebook, Twitter etc.), on line interaction via the force website and formal surveys in relation to service priorities;
- 11 encouraged the public to sign up to 'In the Know' receipt of regular updates from Surrey Police, use of 'In the Know' data has increased to 96% of the 13,000+ contactable users within that database;
- 12 ensured use of social media accounts at a corporate and local neighbourhood level to provide updates, crime prevention advice and opportunities for engagement with all key news stories, including proactive transparency on negative issues involving the force such as officer misconduct, with monthly review of public information effectiveness to promote improvement, and social media training delivered in year to frontline staff including the Contact Centre;
- 13 held regular meetings with local communities offering local people a chance to be heard, to discuss issues that affect them, to agree local action to tackle these issues and agree priorities;
- 14 worked with partner organisations - through community safety partnerships and a range of others to tackle crime, disorder, anti-social behaviour and to reduce re-offending;
- 15 engaged with Independent Advisory Groups, whose membership reflect different sections of the community, to encourage the active involvement of people from diverse groups;
- 16 maintained Surrey Police information sharing agreements with partners and other organisations to manage information, working closely with County, Borough and District Councils via a centralised communications group which meets quarterly to share key messages.
- 17 ensured that user satisfaction surveys across a range of victim groups (beyond the statutory requirement) are conducted to a high standard, providing the Force with information about the quality of service these groups have received from the police service e.g. quarterly neighbourhood survey, monthly Victim Satisfaction surveys for Anti-Social Behaviour and Crime, and ad hoc public surveys via social media;
- 18 in place an engagement guide explaining to stakeholders and interested members of the public what they can expect from the force, supported by local engagement plans, policies and procedures;
- 19 ensured that the Surrey Police website was further developed having joined the national initiative "Single On-line Home", which offers an enhanced self-service feature for the public, greater consistency of advice and guidance and an improved user experience;
- 20 ensured there is an up to date Freedom of information Act 2000 publication scheme;

5.7 ***Principle of Good Governance: C Defining outcomes in terms of sustainable economic, social and environmental benefits.***

To achieve this, the Chief Constable has:

- A Chief Constable's 'Plan on a Page' sets out the force vision and purpose in accordance with the PCC's Police and Crime Plan¹² and the Surrey Police Business Plan 2017-2025¹³;
- published a Force Management Statement¹⁴ detailing demand for police services and Surrey Police resourcing to meet these demands, together with details of identified areas to be addressed through investment;
- a five year Medium Term Financial Plan which is regularly reviewed and supported by robust, sustainable multi-year budgets to deliver the Force Business Plan and consider external factors such as inflation, borrowing and funding;
- decided how the quality of service for users is to be measured and ensured that the information needed to regularly and effectively review service quality is available;
- established a robust performance framework that ensures that the Chief Constable is informed of progress against key indicators;
- has continued to review the key functions, departments and activities, to ensure that the delivery of all elements of policing are effective and efficient;

¹² Surrey Chief Constable's 'Plan on a Page' vision: <https://www.surrey.police.uk/SysSiteAssets/media/downloads/surrey/about-us/ourplanonapage.pdf>

¹³ Surrey Business Plan: <https://www.surrey.police.uk/SysSiteAssets/media/downloads/surrey/about-us/business-plan-2017.pdf>

¹⁴ Surrey police Force Management Statement 2018: https://www.Surrey.police.uk/SysSiteAssets/foi-media/Surrey/other_information/Surrey-police-force-management-statement-2019.pdf
https://www.surrey.police.uk/SysSiteAssets/media/downloads/surrey/about-us/sp_forcemanagementstatement.pdf

- actively pursued joint working opportunities at a local, regional and national level, which has resulted in a number of policing services being delivered in collaboration with other organisations and bodies, particularly with the Sussex PCC and Sussex Police;
- established with Sussex Police a Joint Change function which recognises the importance of strategic planning and integration to incorporate national, regional and local change, business change/adoption and change assurance;
- a robust mechanism to record and respond to recommendations and findings from external review, including HMICFRS and the IOPC, which is overseen by the Organisational Reassurance Board (ORB), chaired by the Deputy Chief Constable. ORB replaces the Strategic Risk and Learning Group (SRALG) previously in place;
- developed products to support sustainable economic, social and environment benefits delivery:
 - The *Strategic Roadmap* visually articulates change impacts to help the Change Assessment Board and Strategic Change Board to improve prioritisation, planning and sequencing of change projects, working closely with the South-East Regional Integrated Policing (SERIP) to align where possible.
 - *Senior Responsible Owner (SRO) reports* implemented in year to provide full status updates to risk and progress assessments.
 - *Business Change Heat Map* is being developed to highlight significant change areas.
 - A new *Business Case* template has been developed to improve the investment decision process via improved financial information relating to project costs, project benefits, income generation and funding sources.
 - *Business Priorities and IT Resourcing reports* developed to address significant change demand on ICT requirements.

5.8 **Principle of Good Governance D: Determining the interventions necessary to optimise the achievement of the intended outcomes.**

To achieve this, the Chief Constable has:

- undertaken an annual review of the corporate governance framework and key high level governance documents, including the Code of Corporate Governance ensuring the Code is aligned with the CIPFA guidance published in 2016;
- ensured that there is a risk management strategy and policy in place to ensure that threats to the achievement of the Force's organisational objectives and regional and national responsibilities are identified and managed effectively via the Organisational Reassurance Board (ORB), with regular risk updates reviewed by the Joint Audit Committee and at the PCC's Performance meeting;
- established a performance framework based on force priorities/strategic objectives, with an increased focus on qualitative assessment of behaviours and performance and root-cause analysis of issues - these changes have been aligned with the findings from the Irene Curtis review into the use of targets in policing¹⁵;
- subjected key strategic projects, for example EQUIP (formerly Enterprise Resource Planning), to specific oversight arrangements, including frequent review of the level of intervention required by the PCC and CC;
- ensured that there is robust scrutiny of the Force's 'Policing in Your Neighbourhood' and other change programmes to ensure that significant and complex change programmes are monitored, reviewed and delivered effectively;
- ensured regular and focussed communication with the public via a communication planner regarding communication strategies supporting force priorities and alignment of public campaigns with those priorities;
- used monthly victim satisfaction surveys to monitor service delivery outcome satisfaction and compliance with the Victim Code.
- developed the governance related to change to better prioritise and drive delivery and better enable decision-making – this change governance process is supported by three levels of governance boards:

¹⁵ The use of targets in policing:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466058/Review_Targets_2015.pdf

Change Engagement Meeting; Change Assessment Board and Strategic Change Board which continue to work well for the organisation;

- ensured post implementation reviews have been undertaken of key change programmes to provide assurance of benefit delivery, with processes in place for follow up on the completion of any additional actions.

In 2018-19 HMICFRS assessed Surrey Police through the PEEL programme of inspections and assessed Surrey as “Requires Improvement” for Efficiency, identifying that the force “needs to analyse data more effectively to understand demand (including hidden demand) to better serve the public” and recommended that the force should gain a better understanding of how it uses and prioritises resources to meet current demand.

5.9 **Principle of Good Governance E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it.**

To achieve this, the Chief Constable has:

- established clear roles and responsibilities for each of the Force’s senior officers;
- developed a workforce plan introduced across Surrey Police and Sussex Police and reviewed quarterly, which identifies the future workforce mix and profile requirements, this is reviewed at the DCC’s Strategic Board and quarterly at the Workforce Capability and Capacity Board and the Surrey Resource Management meeting attended by business representatives and used to understand and review priorities;
- undertaken a skills audit for officers and staff to establish the current level of leadership skills with the force and enabling better planning of training which more effectively meets the needs of officers and staff e.g. work is underway for core skills for Response (Prevention and Detectives to follow);
- used the skill product “Licence to Police” to baseline essential skills for all police officers;
- introduced a new process from July 2018 for individual performance review and management – “Focus”, which sets out a new approach for regular constructive feedback on performance and areas for improvement;
- introduced in 2019-20 a Succession Planning Framework, known as Future Focus, which enables line managers to undertake career planning with staff and officers, identifying talent at the same time as succession planning for critical roles within departments and putting in place plans to minimise risks if this is required;
- ensured local talent pools are embedded in the Force to develop and support future leaders in conjunction with Future Focus;
- developed a leadership strategy and framework based on the national Competency and Values Framework as part of the leadership programme aiming to increase capability in good leadership for officers and staff across Surrey Police and Sussex Police, this includes the First Line Leaders Development (FLLD) pathway which was a key priority for people services in 2019/20 to unblock barriers and develop skills, the Second Line Leaders Development Programme was launched in 2020 aimed at Inspectors/Chief Inspectors and staff equivalents;
- ensured that Force capability continues to be monitored at the Capacity, Capability and Performance Board (CCPB) which was relaunched in June 2019 with revised terms of reference;
- ensured specific work was undertaken to address the gap in detectives the Force is experiencing with the Heads of Crime Investigative Improvement Programme (HocIIP), including a fast track detective degree holder entry programme;
- promoted an ethos of continuous improvement across the Force and been proactive in promoting innovative practice in order to reduce organisation costs and improve performance, including ensuring that staff have every opportunity to help shape organisational change and service improvement, with an intranet Development Hub to support officers and staff via a central point of reference to Leadership Development programmes, Continuing Professional Development (CPD) and national tools;
- continued to work with Unison, the Police Federation and the Superintendent’s Association using the seven point plan (launched Feb 2017) to enable a consistent approach to how assaults on staff and officers are dealt with;
- conducted a third employee opinion survey jointly with Sussex Police as part of Durham University’s national UK policing research project concluding in October 2019 looking at key themes of Leadership,

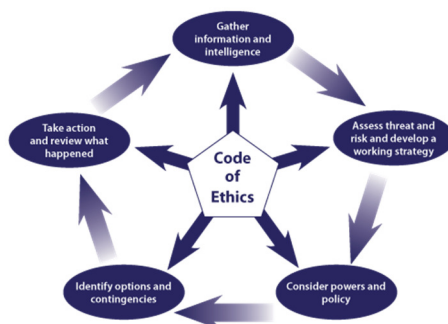
Wellbeing and Organisational Justice resulting in three areas of focus for chief officers of Wellbeing and energy, Hindrance stressors and Vision clarity.

- developed the work of the Wellbeing Board, attended by representatives from Surrey Police and Sussex Police as well as staff associations, allowing workforce concerns to be raised and acted upon;
- established a Wellbeing Strategy and Action Plan, revised every year to factor in emerging and identified needs, which defines the meaning of “wellbeing” and why it is important.

5.10 **Principle of Good Governance F: Managing risks and performance through robust internal control and strong public financial management.**

To achieve this, the Chief Constable has:

- ensured that all decision making is carried out in accordance with the governance framework as set out in the Code of Corporate Governance;
- continued to work to embed ethical decision making at all levels following the National Decision Model (NDM), which has at its centre the policing Code of Ethics;



- NDM is explained on dedicated intranet pages and posters promoting principles of the Code of Ethics. NDM is included in all learning material, selection/promotion processes, on investigators notebooks and pocket books as an aid to regular use and decision making process;
- set strategic direction and priorities via the Chief Officer Group (COG) for Surrey, and the Chief Officer Meeting (COM) for matters across Surrey Police and Sussex Police. The extended Chief Officer Group (ECOG) includes Chief Superintendents and Heads of Department providing a forum to agree changes to policy and practice, and maintain oversight of financial and workforce planning.
- compared performance against peer data as provided by HMICFRS 2019 Value for Money profiles,¹⁶ seeking improvement where best practice was identified;
- ensured individual change programmes are built on comprehensive business cases to secure value for money, effective resources management, and projected benefits;
- ensured change programme and project expenditure was scrutinised and challenged by chief officers via relevant programme and project boards led by chief officers;
- ensured that there is a process in place between Change Delivery and finance to manage and monitor the delivery of savings, which has been incorporated into the budget setting process.
- ensured that a risk management strategy and policy is embedded in the governance structure and is used effectively to inform and focus decision making, including the response to COVID-19;
- ensured that effective business continuity arrangements are in place to meet the requirements outlined in the Civil Contingencies Act 2004.
- ensured data protection and information management policies and strategy are in place to ensure that the Force is compliant with General Data Protection Regulation (GDPR), which came into force on 25 May 2018, and the Data Protection Act 2018;

¹⁶ HMICFRS Value for Money profiles Surrey 2019: <https://www.justiceinspectorates.gov.uk/hmicfrs/our-work/article/value-for-money-inspections/value-for-money-profiles/value-for-money-dashboards/>

5.11 **Principle of Good Governance: G Implementing good practices in transparency, reporting and audit to deliver effective accountability.**

To achieve this, the Chief Constable has:

- ensured that the Force undergoes extensive internal and external inspection and that the results of these inspections are available on line;
- ensured that internal audit is provided through a managed service contract with the Southern Internal Audit Partnership and regular updates are provided to the Joint Audit Committee¹⁷;
- ensured that information is published to allow appropriate scrutiny of decision making¹⁸;
- ensured that the public are able to attend police disciplinary hearings to observe proceedings¹⁹
- continued to support the work of the Joint Audit Committee in its role of monitoring Force governance and internal control.

6 Review of Effectiveness

- 6.1 The Chief Constable has responsibility for conducting a regular review of the effectiveness of the governance framework, including the system of internal audit and control. This annual governance statement provides a summary of activities undertaken and areas for continuous improvement identified through the Force review of the governance arrangements; these have been included in the action plan for 2020-21.
- 6.2 This review has been co-ordinated by the Corporate Finance team and informed by senior managers across the Force in order to assess the Force compliance with the CIPFA guidance.
- 6.3 The review of the evidence for the effectiveness of the governance framework, to confirm that the current arrangements are fit for purpose, are presented to meetings of the Force Organisational Reassurance Board and the Joint Audit Committee. The review also provided updates and confirmation regarding the completion of areas for improvement identified in 2018-19 annual governance statement.
- 6.4 Assessments and recommendations made by the internal and external auditors and other review agencies and inspectorates have also informed this review.
- 6.5 The Joint Audit Committee has been consulted on the development of the annual governance statement. The final statement is considered at its meeting in July for recommendation for approval by the Chief Constable. The Committee aims to ensure that there is continuous improvement in the process and endorses the resulting annual action plan. Regular updates on progress to address the areas for improvement are provided to the Committee.
- 6.6 A process is established to ensure the Chief Constable and Surrey PCC, approve and sign off the annual governance statement, in accordance with the CIPFA guidance.

7 Governance Issues

- 7.1 No significant concerns were raised during the internal review of the effectiveness of governance arrangements however, a number of areas for improvement were identified. These improvements, to further enhance the Force governance arrangements, are detailed in Appendix A together with any on-going areas for improvement continued from the action plan included in the 2018-19 annual governance statement. The actions to achieve these improvements will be monitored through the Force Organisational Reassurance Board and reported to the Joint Audit Committee.

¹⁷ Joint Audit Committee: <https://www.surrey-pcc.gov.uk/transparency/meetings-agendas/>

¹⁸ Surrey Police website: <https://www.surrey.police.uk/foi-ai/af/accessing-information/>

¹⁹ Misconduct Hearings: <https://www.surrey.police.uk/search?q=misconduct+meetings>

- 7.2 The internal audit function is carried out by Southern Internal Audit Partnership for both the PCC and the Chief Constable. Audit reviews are undertaken in line with an annual internal audit plan, which is recommended by the Joint Audit Committee.
- 7.3 Management have agreed recommendations to address all the findings reported by the internal audit service during 2019/20, subject to the reports remaining in draft or still to be issued.
- 7.4 In 2019-20 no reports received an opinion of no assurance. The following internal audit reviews were given an overall opinion of limited assurance: Surrey Police Victims Code 2019/20, Crime Recording Data Quality, Transport Fleet Management, IT Data Centre Facilities & Security; IT Data Storage and Backup; IT Capacity and Performance Monitoring and Pensions Administration & Contract Management.
- 7.5 Internal audit reviews for the Legal & Insurance Department, Payroll, Covert Accounts and Procurement Cards received overall assessments of substantial assurance on the effectiveness of the overall control environment.
- 7.6 Although Covid-19 slowed progress, SIAP continued to work remotely to complete the 2019/20 review, however Covid-19 has had a significant impact on SIAP's ability to commence work on the 2020/21 plan, due to the request to delay any work impacting on operational staff. Regular discussions are planned to review the plan and assess whether it remains appropriate and relevant and whether changes will be needed to incorporate new risk areas arising from the challenges presented by Covid-19.
- 7.7 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:

Internal Audit opinion:

For the 12 months ended 31 March 2020, the Chief Internal Auditor's opinion for Surrey Police Force is as follows²⁰: to be added when presented to the JAC.

8 Certification

This statement has been prepared on the basis of the review of effectiveness of governance arrangements. Advice and recommendations on the annual governance statement have been received from internal and external auditors and the JAC. It represents a fair and reasonable assessment of current arrangements and plans for improvement within Surrey Police. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Gavin Stephens, Chief Constable of Surrey

Nev Kemp QPM, Deputy Chief Constable, The Chief Constable of Surrey

Peter Gillett, Executive Director of Commercial and Finance Services, The Chief Constable of Surrey

Contact details:

Peter Gillett, Executive Director of Commercial and Finance Services

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²⁰ Annual Internal Audit Opinion 2019-20: to be added when available

Appendix A: Areas for Improvement - Action Plan 2020-2021

Ref	Area for improvement	Owner	Anticipated completion dates
ISSUES CARRIED OVER FROM 2019-20 AGS ACTION PLAN			
1	Further improvements to financial reporting identified by the Executive Director Finance Commercial Services – including improvements required in processes used by the joint Surrey/Sussex Management Accounting team, and enhanced frequency/content of external financial reporting agreed with the OSPCC CFO.	Executive Director of Commercial and Finance	31.03.21
2	ERP Payroll Extra Costs – limited assurance internal audit opinion Lack of detailed definition and agreement of the costs to be included in any recharges could lead to dispute. Costs are not captured and recharged completely and accurately. Actions as set out in the report.	Chief Digital and Information Officer	Dependent upon project go-live
3	ERP/EQUIP Programme The Equip Programme will proactively clear the outstanding actions from all previous audit/Gateway reviews and initiate further reviews at strategic points prior to go-live.	Chief Digital and Information Officer	Dependent upon project go-live
	Uniform and Small Assets – No assurance internal audit opinion (2018-19) 2 high, 3 medium management actions	Service Director, Estates & Facilities	ERP/Equip solution
ISSUES IDENTIFIED FROM INTERNAL AUDIT 2019-20			
	Surrey Police Victims Code 2019/20 – Limited Assurance 9 high, 3 medium management actions	Surrey OPCC CEO and Head of Victims & Witness Care Unit	17/12/20
	Crime Recording Data Quality – Limited Assurance 6 medium, 7 low management actions	Head of Service Quality	Complete
	IT – Data Centre Facilities & Security – Limited Assurance 2 high, 2 medium, 4 low level management actions	Chief Digital and Information Officer	31.10.20
	IT – Data Storage and Backup – Limited Assurance 4 high, 6 medium, 1 low level management actions	Chief Digital and Information Officer	20.11.20
	IT – Capacity and Performance Monitoring – Limited Assurance 1 high, 4 medium, 2 low level management actions	Chief Digital and Information Officer	31.03.21
	Transport – Fleet Management – Limited Assurance 4 high, 5 medium, 5 low level management actions	Executive Director Commercial and Financial Services/ Head of Joint Transport	Complete
	Pensions Administration & Contract Management 2019/20 – Limited Assurance	Director of People Services	
PROPOSED NEW AREAS OF IMPROVEMENT IDENTIFIED BY FORCE FOR 2020-21 AGS ACTION PLAN			
	Information Commissioner's Office guidance regarding publication of information Ensure force information published on Single On-line Home is compliant with ICO requirements	Chief Digital and Information Officer / Force Information Manager	30.09.20
	Information Sharing Agreements Process to be introduced to ensure ISAs are kept up to date within the resource envelope of the Information Management department.	Chief Digital and Information Officer / Force Information Manager	30.09.20
	Risk assurance mapping: As proposed by Karen Shaw, Deputy Head of Southern Internal Audit Partnership – risk assurance mapping exercise to be undertaken in relation to	Executive Director Commercial and Financial Services/	02.09. 20 report to ORB

	strategic force risks building on from work undertaken re action 14 above in relation to mapping corporate governance arrangements.	Risk Manager	
	Covid-19 Keep under review the impact of Covid-19 issues on Surrey Police and consider any governance issues arising.	Deputy Chief Constable / Executive Director of Commercial and Finance Services	31.03.21
	Covid-19 Undertake a lessons learned review from the Covid-19 response.	Deputy Chief Constable / Executive Director of Commercial and Finance Services	31.03.21

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 2019	0	0	2,157,838	2,157,838
Movement in reserves during 2019/20				
Surplus or deficit on the provision of services	91,815	91,815		91,815
Other Comprehensive Income / Expenditure			(192,771)	(192,771)
Total Comprehensive Income and Expenditure	91,815	91,815	(191,357)	(100,956)
Adjustments between accounting basis and funding basis under regulations	(91,815)	(91,815)	(91,815)	0
Increase or Decrease in 2019/20	0	0	(100,956)	(100,956)
Balance at 31 March 2020	0	0	2,056,882	2,056,882

	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
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

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.

2018/19				2019/20		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
209,450	0	209,450	Police Payroll	157,882	0	157,882
4,270	0	4,270	Police Overtime	5,377	0	5,377
72,642	0	72,642	Staff Payroll	76,851	0	76,851
1,437	0	1,437	Staff Overtime	1,695	0	1,695
1,048	0	1,048	Agency	2,014	0	2,014
1,169	0	1,169	Training	1,144	0	1,144
1,800	0	1,800	Other Payroll Costs	1,736	0	1,736
9,722	0	9,722	Premises	12,643	0	12,643
26,297	0	26,297	Supplies and Services	26,876	0	26,876
4,460	0	4,460	Transport	5,273	0	5,273
8,879	0	8,879	Depreciation	11,191	0	11,191
0	(11,860)	(11,860)	Income	0	(13,233)	(13,233)
0	0	0	Rounding	(1)	0	(1)
341,174	(11,860)	329,314	Cost of Services	302,681	(13,233)	289,448
0	(237,835)	(237,835)	Intra-Group Funding Transfer	0	(251,349)	(251,349)
341,174	(249,695)	91,479	Net Cost of Services	302,681	(264,582)	38,099
455	0	455	Other Operating Expenditure	522	0	522
57,114	(7,657)	49,457	Financing and Investment Income and Expenditure	60,506	(7,312)	53,194
398,743	(257,352)	141,391	Surplus or Deficit on Provision of Services	363,709	(271,894)	91,815
		87,620	Re-measurement of the net defined benefit liability / asset			(192,771)
		87,620	Other Comprehensive Income and Expenditure			(192,771)
		229,011	Total Comprehensive Income and Expenditure			(100,956)

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 2019		31 March 2020	
£000	Notes		£000
110	Short-Term Debtors		110
110	Current Assets		110
(908)	Short-Term Creditors		(1,053)
(110)	Provisions		(110)
(1,018)	Current Liabilities		(1,163)
(2,156,930)	Other Long-Term Liabilities		(2,055,829)
(2,156,930)	Long Term Liabilities		(2,055,829)
(2,157,838)	Net Assets		(2,056,882)
0	Usable Reserves		0
2,157,838	Unusable Reserves		2,056,882
2,157,838	Total Reserves		2,056,882

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 2020. These financial statements are the unaudited financial statements.



Peter Gillett CPFA

Executive Director of Commercial and Financial Services

Date: 30 June 2020

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.

2018/19		2019/20	
£000		£000	
141,391	Net (surplus) or deficit on the provision of services	91,815	
(141,391)	Adjustment to surplus or deficit on the provision of services for noncash movements	(91,815)	
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

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

In applying the accounting policies set out in Note 22, 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 levels of funding for Local Government** – 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. The basis adopted for this allocation was determined by the Group in accordance with the subjective activities for each corporate body included in the CIES. In arriving at this approach, interested parties, including senior management in both corporate bodies were consulted and careful consideration given to the Police Reform and Social Responsibility Act 2011 and Home Office guidance. 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** – It has been judged that all working capital is attributable to the Police and Crime Commissioner. The PCC controls the treasury management function and all bank accounts, therefore no working capital balances (cash, current debtors and liabilities) are recognised in the Chief Constable's Balance Sheet.
- **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.
- **Pensions recognition and disclosure** - The PCC and CC have to determine whether items should be recognised in the PCC or Chief Constable accounts. A judgement was made in previous years 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 PCC. 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 was 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 was 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 was not therefore considered a material misstatement but was one that would be likely to increase each year. In line with best practice, arrangements have now been put in place to include separate disclosures for the PCC employee pension which are reflected in the PCC accounts for the 2019/20 Financial Statements.

- **Pensions Actuarial Assumptions** – The value of the liabilities for IAS19 purposes is heavily dependent on assumptions made by the Group’s actuaries, Hymans Robertson and GAD. The financial assumptions reflect market expectations at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pension-in-payment) can have a significant effect on the value of the liabilities reported. A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude. The effect of a change in the net discount rate on the value placed on the liabilities of each scheme is shown in the sensitivity analysis schedule below. There is also uncertainty around the life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in-payment. The mortality assumptions have changed from the previous accounting period to take account of recent mortality experience. Life expectancy is based on the Fund’s VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and long term rates of improvement of 1.5% p.a. for males and females.

- **Pensions Impact of McCloud/Sargeant court of appeal -**

The McCloud and Sargeant judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. Under the changes introduced to each scheme, members were required to transfer to the new schemes from the transition date of the new schemes, this was 1 April 2014 for the police staff scheme (LGPS) and 1 April 2015 for the Police pension scheme.

There was protection provided for older members under each scheme known as ‘transitional protection’. The McCloud and Sargeant judgements have upheld the claimants’ cases that the method of implementation of the new schemes discriminated against younger members. The government was refused leave to appeal the McCloud and Sargeant Judgements on 27 June 2019. This means various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes.

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 2019/20 accounts of the PCC and CC for both police and staff pension schemes.

- **Pensions Impact of Covid-19**

The majority of investments for pension funds are measured at fair value and have been subject to greater volatility as a result of the Covid-19 pandemic. Markets have continued trading and therefore we assume sufficient information is available to measure the financial instruments at the measurement date in line with the Code but we are not yet certain if there will be further adjustments required to ensure that assets and liabilities are correctly stated as at the Balance Sheet date. Volatility in the financial markets is likely to have a significant impact on pension

assets and net liabilities. Measurement of inputs based on observable market price is the price quoted at the reporting date so any subsequent changes in values to the investments after the financial year end are unlikely to represent a change to the conditions at the year-end date and may not therefore be adjusting events but may require narrative disclosure.

Note 2 – Going Concern

Text to follow

Note 3 - 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 Draft Statement of Accounts was authorised for issue by the Chief Finance Officer on XX June 2020. 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 2020, the figures in the financial statements and notes should be adjusted in all material respects to reflect the impact of this information.

There were no material adjusting events to report.

Impact of McCloud/Sargeant court of appeal – potential event after the reporting period

The timetable for changes to legislation for pension schemes is uncertain. It is possible that proposals to provide a remedy for the police schemes may be drafted after 31 March 2020 but before the final accounts are authorised for issue. Therefore if changes to any of the schemes are proposed that could materially affect the figures disclosed for 2019/20, we will account for it as an event after the reporting period in accordance with Section 3.8 of the Code within the final revised financial statements.

Impact of Covid-19 virus pandemic – event after the reporting period

Substantial impacts of Covid-19 began in March 2020, although significant costs were not incurred until April 2020 onwards and is therefore considered to be a largely non-adjusting impact within the 2019/20 annual accounts. Any additional deployment of staff and officers in relation to Covid-19 during March 2020 will already be reflected within the 2019/20 accounts by way of the short term accumulated absences accounting accrual however potential impacts on property and pension valuations could have a significant impact. Any material adjustments necessary will be included in the final revised financial statements.

Note 4 - 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 2020 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	<p>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.</p> <p>Pension 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.</p> <p>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.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 1% decrease in the real discount rate assumption would result in an increase in the staff scheme pension liability of £99.7m and an increase in the police officer pension scheme pension liability of £202.0m. However, the assumptions interact in complex ways. During 2019/20, the Group's actuaries advised that the net pension liability had decreased in total by £101.1m as a result of revised actuarial assumptions.</p> <p>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.</p>
Pensions Costs	<p>There are three pension schemes for police officers, the 2006 Police Officer Pension Scheme (NPPS), the Police Pension Scheme (PPS) and the Police Pension Scheme 2015 (2015 scheme); all of which are unfunded, defined benefit schemes. An unfunded scheme treated as a defined benefit scheme has no investment assets to meet its pension liability the Group must generate cash to meet the actual pension payments as they fall due.</p>	<p>The benefits payable are funded by contributions from employers and police officers and any shortfall is met by a top up grant from the Home Office (£17.3m for 2019/20) and other Pension Grant to the PCC. Further details of the schemes can be found in the Police Officer Pension Fund Accounts.</p>

Note 5 -Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund Balance	2018/19		Net Expenditure in the Compre- hensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2019/20		Net Expenditure in the Compre- hensive Income and Expenditure Statement
	Adjustments				Adjustments		
£000	£000	£000		£000	£000	£000	
81,885	127,565	209,450	Police Payroll	6,320	151,562	157,882	
4,270	0	4,270	Police Overtime	5,377	0	5,377	
58,817	13,826	72,643	Staff Payroll	136,596	(59,746)	76,850	
1,437	0	1,437	Staff Overtime	1,695	0	1,695	
1,048	0	1,048	Agency	2,014	0	2,014	
1,169	0	1,169	Training	1,144	0	1,144	
1,800	0	1,800	Other Payroll Costs	1,736	0	1,736	
9,722	0	9,722	Premises	12,643	0	12,643	
26,297	0	26,297	Supplies and Services	26,876	0	26,876	
4,460	0	4,460	Transport	5,273	0	5,273	
8,879	0	8,879	Depreciation	11,191	0	11,191	
(11,860)	0	(11,860)	Income	(13,233)	0	(13,233)	
(187,923)	0	(187,923)	Other Income and Expenditure	(197,633)	0	(197,633)	
0	0	0	Rounding	1	(1)	0	
0	141,391	141,391	Surplus or Deficit on Provision of Services	0	91,815	91,815	

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.

2019/2020	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)	(91,670)	91,670
Holiday pay (transferred to the Accumulated Absences reserve)	(145)	145
Total Adjustments	(91,815)	91,815
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
Holiday pay (transferred to the Accumulated Absences reserve)	(306)	306
Total Adjustments	(141,391)	141,391

Note 7 - Grant Income

Credited to Services

31 March 2019		31 March 2020
£000		£000
(906)	Counter Terrorism	(955)
(238)	Other	(594)
(1,144)	Total	(1,549)

Note 8 - Unusable Reserves

31 March 2019		31 March 2020
£000		£000
2,156,930	Pension Reserve	2,055,829
908	Accumulated Absences Account	1,053
2,157,838	Total	2,056,882

Pension Reserve

31 March 2019		31 March 2020
£000		£000
1,928,225	Balance 1 April	2,156,930
	Transfer to PCC Pension Reserve	(1,414)
87,620	Re-measurements of the net defined benefit (liability)/asset	(191,357)
198,431	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	151,474
(57,346)	Employer's pensions contributions and direct payments to pensioners payable in the year	(59,804)
2,156,930	Balance 31 March	2,055,829

The Pensions Reserve reflects the timing adjustments arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions [Statutory Instrument No. 2010/454]. Post-employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised in line with inflation assumptions, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the employer makes contribution to pension funds, or eventual payment of any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees

and the resources set aside to meet them. The statutory arrangement will ensure that funding will have been set aside by the time the benefits come to be paid.

Accumulated Absences Account

31 March 2019		31 March 2020
£000		£000
602	Balance 1 April	908
(602)	Settlement or cancellation of accrual made at the end of the preceding year	(908)
908	Amounts accrued at the end of the current year	1,053
306	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	145
908	Balance 31 March	1,053

The Accumulated Absences Account reflects 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 2020. Statutory arrangements require that the impact on the General Fund Balance is offset by transfers to mitigate the impact on Council Tax.

Note 9 - Debtors

Debts outstanding at 31 March 2020 are as follows:

31 March 2019		31 March 2020
£000		£000
110	Other Receivable Amounts	110
110	Total	110

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

Note 10 - Creditors

Payments due at 31 March 2020 are as follows:

31 March 2019		31 March 2020
£000		£000
(908)	Other payables	(1,053)
(908)	Total Creditors	(1,053)

This creditor relates to the Accumulated Absences Reserve.

Note 11 - Provisions

Provisions held at 31 March 2020 are as follows:

Current Provisions

2019/20	Restructuring Provision £000
Opening Balance	(110)
Increase in provision during year	0
Utilised during year	0
Closing Balance	(110)

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

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 2020. These change programmes are either in the process of being implemented or are planned to be implemented during 2020/21.

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 £1,768.47 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 2019/20 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 £m	Collaboration Area	Surrey Share 2019-20 £m
1.0	Change Delivery	0.6
0.4	Chief Officers	0.4
0.7	Enterprise Resource Planning (ERP) Project	1.0
0.6	Finance	1.2
0.0	Estates Projects	0.2
0.1	Insurance	0.1
4.1	IT	4.9
0.6	IT Projects	1.2
0.2	Procurement	0.2
0.7	Transport	0.9
15.1	Operations Department	16.1
0.0	Operations Projects	0.2
0.1	Health & Safety	0.1
14.5	Specialist Crime Department	17.6
3.0	People Services	3.3
0.5	Digital Enablement	0.7
0.3	Vetting	0.4
41.9		49.1

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.

Position	Position Start Date	Position End Date	2018/2019	2019/2020				
			Total Remuneration	Salary, Fees & Allowances	Employers Pension Contribution	Benefit in kind. Private Use of Vehicle	Compensation for Loss of Office'	Total Remuneration
			£	£	£	£	£	£
Chief Constable- N Ephgrave	18/12/2015	19/01/2019	171,169					
Deputy Chief Constable	19/12/2015	19/01/2019	126,367					
Chief Constable-G Stevens	20/01/2019		38,157	152,710	22,556			175,266
Temporary Deputy Chief Constable	20/01/2019	23/09/2019	32,369	64,421	17,991			82,412
Temporary Deputy Chief Constable	23/09/2019	24/03/2020		118,521	36,634			155,155
Deputy Chief Constable	25/03/2020			64,102	19,973			84,075
Assistant Chief Constable	07/05/2017	22/09/2019	125,526	54,420	16,661			71,081
Assistant Chief Constable	23/05/2016	19/01/2019	122,530					-
Assistant Chief Constable	07/10/2019			50,723	9,160			59,883
Chief Superintendent Barlow	18/10/2017	06/10/2019	107,658	46,106	13,820			59,926
Temporary Assistant Chief Constable	16/12/2019			64,084	18,398			82,482
Chief Superintendent MacPherson	01/12/2018	15/12/2019	39,283	31,949	9,339			41,288
Chief Superintendent	07/01/2013	27/05/2020	112,529	14,098	13,381			27,479
Chief Superintendent	20/12/2015	19/01/2019	91,037					-
Temporary Assistant Chief Constable	20/01/2019	15/12/2019	23,660	101,298	27,230			128,528
Chief Information Officer-J Langford	03/12/2018		45,661	132,533	16,647			149,180
Chief Information Officer-N Roberts	16/11/2015	30/09/2018	72,899					-
Head of Corporate Communications	30/04/2013	15/07/2018	25,386					-
Head of Corporate Communications	16/07/2018		48,676	69,772	11,174			80,946
Chief Superintendent	01/04/2017	29/07/2019	112,676	28,129	7,225			35,354
Chief Superintendent	09/06/2014		115,661	90,965	27,466			118,431
Chief Superintendent	02/01/2018		108,459	98,482	27,054			125,536
Temporary Chief Superintendent	14/10/2019			40,871	11,561			52,432
Temporary Chief Superintendent	16/12/2019			25,285	7,612			32,897
Assistant Chief Officer	27/08/2013		149,396	113,348	12,949		93,538	219,835
Temporary Assistant Chief Officer	01/07/2018	31/10/2018	41,104					-
Head of Finance & Services	01/09/2010		108,499	99,048	12,248			111,296
CHIEF CONSTABLE TOTAL			1,818,702	1,460,866	339,079	-	93,538	1,893,483

Officer Remuneration

	Number of Employees	
	2018/19	2019/20
£50,001 to £55,000	254	267
£55,001 to £60,000	125	130
£60,001 to £65,000	54	78
£65,001 to £70,000	10	21
£70,001 to £75,000	11	15
£75,001 to £80,000	8	6
£80,001 to £85,000	5	7
£85,001 to £90,000	9	4
£90,001 to £95,000	5	4
£95,001 to £100,000	1	4
£100,001 to £105,000	0	1
£105,001 to £110,000	1	1
£110,001 to £115,000	0	0
£115,001 to £120,000	0	1
£120,001 to £125,000	0	2
£125,001 to £130,000	2	0
£130,001 to £135,000	1	1
£135,001 to £140,000	0	0
£140,001 to £145,000	0	0
£145,001 to £150,000	0	0
£150,001 to £155,000	1	1
Total	495	543

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 (£)	
	2018/19	2019/20	2018/19	2019/20
£0-£20,000	11	7	144,395	75,741
£20,001 - £40,000	13	1	364,184	30,770
£40,001 - £60,000	3	1	134,219	50,000
£60,001 - £80,000	3	0	196,129	0
£150,001 - £200,000	0	2	0	345,656
Total	30	11	838,927	502,167

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

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 2019/20. There were 11 employees who were union officials during the period (XX full time equivalents) The total cost of this facility time was £94,589 which represents 0.12% of the total pay bill.

Note 15 - External Audit Costs

2018/19		2019/20		
Group		CC	PCC	Group
£000		£000	£000	£000
41.0	Fees payable to Ernst & Young (2018/19 external auditors) with regard to external audit services carried out by the appointed auditor for the year	11.5	22.4	33.9
17.7	Fees payable in respect of other services provided by Grant Thornton (2017/18 external auditors) during the year	0	0	0
59.1	Total	11.5	22.4	33.9

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 2019/20 year in respect of Legal services and the Police and Crime Commissioner. Legal services were provided to the Surrey Police Group of circa £0.8m (2018/19 £1.0m) 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 2019/20.

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 Chief Constable 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 Chief Constable 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 2020 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.

The McCloud and Sargeant judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. Under the changes introduced to each scheme, members were required to transfer to the new schemes from the transition date of the new schemes, this was 1 April 2014 for the police staff scheme (LGPS) and 1 April 2015 for the Police pension scheme.

There was protection provided for older members under each scheme known as 'transitional protection'. The McCloud and Sargeant judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members. The government was refused leave to appeal the McCloud and Sargeant Judgements on 27 June 2019. This means various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes.

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 2019/20 accounts of the Chief Constable for both police and staff pension schemes

General Fund Transactions

2018/19			2019/20		
LGPS	Police Officers	Total	CC LGPS	Police Officers	Total
£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement					
Cost of Services					
		Service cost comprising:			
18,499	42,260	63,759 Current service cost	20,410	71,370	91,780
1,425	83,790	85,215 Past service cost	0	(6,500)	(6,500)
		Financing and Investment Income and Expenditure			
3,377	46,080	49,457 Net interest expense	4,154	49,040	53,194
23,301	175,130	198,431	24,564	113,910	138,474
Total charged to Surplus and Deficit on Provision of Services					
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:			
(9,230)	0	(9,230) Return on plan assets (excluding the amount included in the net interest expense)	41,563	0	41,563
20	(6,230)	(6,210) Actuarial gains and losses - experience	(26,633)	(32,620)	(59,253)
0	0	0 Actuarial gains and losses arising on changes in demographic assumptions	(54,522)	(61,110)	(115,632)
44,300	58,760	103,060 Actuarial gains and losses arising on changes in financial assumptions	(11,095)	(46,940)	(58,035)
35,90	52,530	87,620	(50,687)	(140,670)	(191,357)
Total charged to Other Comprehensive Income and Expenditure Statement					
58,931	227,660	286,051	(26,123)	(26,760)	(52,883)
Total charged to the Comprehensive Income and Expenditure Statement					

2018/19			2019/20		
LGPS	Police Officers	Total	CC LGPS	Police Officers	Total
£000	£000	£000	£000	£000	£000
(23,301)	(175,130)	(198,431)	(24,564)	(113,910)	(138,474)
		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:			
9,606	47,740	57,346	9,724	50,080	59,804
		Employers' contributions payable to scheme			
(13,695)	(127,390)	(141,085)	(14,840)	(63,830)	(78,670)

2018/19			2019/20		
LGPS	Police Officers	Total	CC LGPS	Police Officers	Total
£000	£000	£000	£000	£000	£000
(472,985)	(1,988,120)	(2,461,105)	(404,126)	(1,924,280)	(2,328,406)
		Present value of the defined obligation			
304,175	0	304,175	272,577	0	272,577
		Fair value of plan assets			
(168,810)	(1,988,120)	(2,156,930)	(131,549)	(1,924,280)	(2,055,829)
		Net (liability) / asset arising from the defined benefit obligation			

2018/19			2019/20		
LGPS	Police Officers	Total	CC LGPS	Police Officers	Total
£000	£000	£000	£000	£000	£000
280,333	0	280,333	304,175	0	304,175
		Opening fair value of scheme assets			
0	0	0	(1,414)	0	(1,414)
		Transfer to PCC			
0	0	280,333	301,308	0	301,308
		Revised Opening Balance			
7,657	0	7,657	7,312	0	7,312
		Interest income			
		Re-measurement gain / (loss):			
9,230	0	9,230	(41,563)	0	(41,563)
		The return on plan assets, excluding the amount included in the net interest expense			
9,606	47,740	57,346	9,724	50,080	59,804
		Contributions from employer			
3,094	9,010	12,104	3,172	9,050	11,762
		Contributions from employees into the scheme			
0	350	350	0	460	0
		Transfers in			
(5,745)	(57,100)	(62,845)	(7,376)	(59,590)	(59,590)
		Benefits / transfers paid			
304,175	0	304,175	272,577	0	272,577
		Closing value of scheme assets			

2018/19			Movements in the Fair Value of Scheme Liabilities			2019/20		
LGPS	Police Officers	Total		CC LGPS	Police Officers	Total		
£000	£000	£000		£000	£000	£000		
(400,358)	(1,808,200)	(2,208,558)	Opening balance at 1 April	(472,985)	(1,988,120)	(2,461,105)		
(18,499)	(45,260)	(63,759)	Current service cost	(20,410)	(71,370)	(91,780)		
(11,034)	(46,080)	(57,114)	Interest cost	(11,466)	(49,040)	(60,506)		
(3,094)	(9,010)	(12,104)	Contributions from scheme participants	(3,172)	(9,050)	(12,222)		
			Re-measurement gains and losses:					
(20)	6,230	6,210	- Actuarial gains / (losses) - experience	26,633	32,620	59,253		
0	0	0	- Actuarial gains / (losses) from changes in demographic assumptions	54,522	61,110	115,632		
(44,300)	(58,760)	(103,060)	- Actuarial gains / (losses) from changes in financial assumptions	11,095	46,940	58,035		
(1,425)	(83,790)	(85,215)	Past service cost	0	(6,500)	(6,500)		
0	(350)	(350)	Transfers in	0	(460)	(460)		
5,745	57,100	62,845	Benefits / transfers paid	7,376	59,590	66,966		
(472,985)	(1,988,120)	(2,461,105)	Balance as at 31 March	(404,126)	(1,924,280)	(2,328,406)		

LGPS - Pension Scheme - Assets comprised of:

Fair value of scheme assets

2018/19		2019/20	
£000		£000	
33,209	Cash and cash equivalents	10,479	
EQUITY SECURITIES			
	Equity Securities		
8,333	Consumer	7,778	
5,347	Manufacturing	5,806	
4,742	Energy and Utilities	2,110	
4,774	Financial Institutions	4,590	
4,077	Health and Care	4,694	
9,112	Information Technology	8,897	
812	Other	155	
37,197	Subtotal EQUITY SECURITIES	34,030	
PRIVATE EQUITY			
	Private Equity		
18,241	All	0	
18,241	Subtotal PRIVATE EQUITY	0	
REAL ESTATE			
	Real Estate		
14,596	UK Property	4,718	
5,339	Overseas Property	0	
19,935	Subtotal REAL ESTATE	4,718	

INVESTMENT FUNDS & UNIT TRUSTS

Investment Funds and Unit Trusts

168,682	Equities	143,428
51,404	Bonds	31,276
0	Other	0
220,086	Subtotal INVESTMENT FUNDS & UNIT TRUSTS	174,704

DERIVATIVES

Derivatives

1,796	Foreign Exchange	(2,740)
1,796	Subtotal DERIVATIVES	1,796

CASH and CASH EQUIVALENTS

0	All	9,282
0	Subtotal CASH and CASH EQUIVALENTS	2,820

307,735	Total Assets	220,443
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2018/19	LGPS	2019/20
Long term expected rate of return on assets		
7.2%	EQUITY SECURITIES	7.2%
7.2%	DEBT SECURITIES	7.2%
7.2%	PRIVATE EQUITY	7.2%
7.2%	REAL ESTATE	7.2%
7.2%	INVESTMENT FUNDS & UNIT TRUSTS	7.2%
7.2%	DERIVATIVES	7.2%
Mortality assumptions		
Longevity at retirement for current pensioners		
22.5	Men	22.1
24.6	Women	24.3
Longevity at retirement for future pensioners		
24.1	Men	22.9
26.4	Women	25.7
Other assumptions		
2.5%	Rate of inflation	2.0%
2.8%	Rate of increase in salaries	2.7%
2.5%	Rate of increase in pensions	1.8%
2.4%	Rate for discounting scheme liabilities	2.3%

Impact of assumptions on the obligation:

Increase by 1%	LGPS	Decrease by 1%
£000	Assumption	£000
0	Longevity	0
0	Rate of inflation	0
5,006	Rate of increase in salaries	0
44,666	Rate of increase in pensions	0
50,060	Rate for discounting scheme liabilities	0

The significant assumptions used by the actuary have been:

2018/19	Police Officers	2019/20
Mortality assumptions		
Longevity at retirement for current pensioners		
22.7	Men	21.9
24.3	Women	23.6
Longevity at retirement for future pensioners		
24.6	Men	23.6
26.2	Women	25.2
Other assumptions		
2.4%	Rate of inflation	2.0%
4.4%	Rate of increase in salaries	4.0%
2.4%	Rate of increase in pensions	2.0%
2.5%	Rate for discounting scheme liabilities	2.3%

Impact of assumptions on the obligation:

Increase by 1%	Police Officers	Decrease by 1%
£000	Assumption	£000
56,000	Longevity	0
0	Rate of inflation	0
29,000	Rate of increase in salaries	0
160,000	Rate of increase in pensions	0
0	Rate for discounting scheme liabilities	(202,000)

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 £2,057.3m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,926.4m. 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.

During the 2019/20 and in line with best practice the civilian LGPS pension costs have been split to show the separate liability for the Chief Constable and the PCC for full transparency. This amounts to a transfer of liability from the Chief Constable to the PCC of £1,414k which has been re-measured and included within other Comprehensive Income and Expenditure as the following table illustrates:

LGPS reallocation between Chief Constable and PCC	PCC £000	CC £000	GROUP £000
Transfer of liability to PCC re-measurement	(1,414)	1,414	0
LGPS actuarial re-measurement	152	50,687	50,839
Police Pensions actuarial re-measurement	0	140,670	140,670
Total shown in Other CIES	(1,262)	192,771	191,509

Note 18 - Contingent Liabilities

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Group at 31 March 2020, they exclude potential costs where the liability is not yet established and/or the amounts are uncertain.

At 31 March 2020, the Chief Constable of Surrey 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 2019/20 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 2020.

Note 20 - Financing and Investment Income and Expenditure

2018/19 £000		2019/20 £000
0	Interest payable and similar charges	0
49,457	Net interest on the net defined benefit liability (asset)	53,194
49,457	Total	53,194

Note 21 - Other Operating Expenditure

2018/19 £000		2019/20 £000
455	Levies	522
455	Total Other Operating Expenditure	522

Note 22 - Accounting Policies

General Principles

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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 (ASB) 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 2020.

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 2019/20.

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.

The above recognition policy complies with IFRS 15 Revenue from Contracts with Customers which was implemented during 2019/20 with no impact to these accounts.

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.

Note 23 - Accounting Standards issued but not yet adopted

A number of future accounting policy changes will need to be reported with effect from 1 April 2020.

Paragraph 3.3.2.13 of the 2019/2020 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. Disclosure requirements are expected to be included in a subsequent edition of the Code.

The standards that may be relevant for additional disclosures that will be required in the 2019/2020 and 2020/21 financial statements in respect of accounting changes that are to be introduced in the 2020/21 Code are:

- Amendment to IAS 28 Investments in Associates and Joint Ventures in relation to Long-term Interests in Associates and Joint Ventures provides clarification that IFRS 9 applies to long term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- The Surrey Police group does not currently have any associates or joint ventures so will be unaffected by this change.
- Annual Improvements to IFRS Standards 2015-2017 cycle.
- Amendments to IAS 19 Employee Benefits will require that when a plan amendment, curtailment or settlement occurs during a reporting period, entities should use updated actuarial assumptions to determine current service cost and net interest for the remaining annual reporting period (where the treatment is material for the readers of the accounts).

Previously, actuarial assumptions were generally made as at the start of the year whereas now we will be obliged to adjust those assumptions for significant changes during the year and reasons for those adjustments to assumptions would need to be disclosed.

This amendment to IAS 19 was included in the consultation for the 2019/20 Code. However, formal EU endorsement did not take place until March 2019. This was too late for the amendment to be included in the final 2019/20 Code. This amendment has been adopted in the 2020/21 Code and will therefore be applicable to authorities for the 2020/21 financial year reporting (and not for 2019/20).

- Further proposals from CIPFA/LASAAC for 2020/21 include Amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. This amendment introduces a change to the definition of 'material' in order to support a reduction in the provision of immaterial information in the financial statements. Revised definition of materiality is 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions'.
- Implementation of IFRS 16 Leases has been deferred to the 2021/22 financial year, with an effective date of 1 April 2021.

This deferral led to delays in completion of the full due process to the 2021/22 Code. Appendix C of the 2020/21 Code only includes standards adopted in the Code and therefore for 2019/20 local authorities are not required to include IFRS 16 in their consideration of accounting standards that have been issued but not yet adopted, although this is subject to approval of the 2020/21 Code

- In the event of the UK withdrawing from the remit of the EU-endorsement framework, the Code will apply standards adopted for UK application under the terms of The International Accounting Standards and European Public Limited Liability Company (Amendment EU Exit Regulations 2019).

We expect the international accounting standards adopted for use within the United Kingdom on exit day will be the same as those it had in place immediately before exit day.

It is not expected that any of these amendments other than IFRS 16 will have a material impact on the information provided in the financial statements for any of the Surrey Police group accounts.

Police Pensions Fund Account Statements as at 31 March 2020

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 2019			As at March 2020	
£000	£000		£000	£000
(14,345)		Contributions Receivable		
(774)		From Employer:	(21,145)	
(9,003)		- Normal	(80)	
		- Early Retirements	(9,048)	
		From Members		
	(24,122)			(30,273)
	(366)	Transfers In		
		Individual Transfers in From Other Schemes		(460)
	(24,488)	Total Inflows		(30,733)
37,150		Benefits Payable		
6,767		Pensions	38,850	
76		Commutations and Lump Sums	9,096	
1,517		Lump Sum Death Benefits	0	
		Lump Sum Ill-health Benefits	0	
	45,510			47,946
60		Payments To and On Account of Leavers		
0		Refund of Contributions	49	
		Individual Transfers Out To Other Schemes	0	
	60			49
	45,570	Total Outflows		49,995
	21,082	Net amount payable for the year from the Group (equal to deficit amount)		17,262
	(19,129)	Additional contribution from the Group to fund the deficit for the year *		(17,262)
	(1,953)	Additional funding payable by the Police Operating Account to meet deficit for the year @ 2.9%**		0
	0	Net Amount Payable for the Year		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

2018/19	Net Current Assets And Liabilities	2019/20
£000		£000
	Current Assets:	
0	Contributions due from the PCC	0
0	Recoverable overpayments of pensions	0
	Current Liabilities:	
0	Unpaid pensions benefits	0
0	Surplus for the year owing to the PCC	0
0	Net Assets / (Liabilities)	0

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 31% 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 17 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.

Glossary of Accounting Terms

ACCRUAL

An accrual is a liability for expenditure relating to goods and services that have been received or supplied but are not invoiced until the following financial year.

ACCRUED INCOME

Income earned in the financial year which has not yet been received.

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.

ASSET

Tangible or intangible resources owned by the force and which have future economic value that can be measured and can be expressed in pounds.

CIPFA

The Chartered Institute of Public Finance and Accountancy is one of the professional accountancy bodies in the UK. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services. More details can be found on the CIPFA website: www.cipfa.org.uk

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CODE

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and the Service Reporting Code of Practice, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Regulations. More details can be found on the CIPFA website: www.cipfa.org.uk

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.

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

EXPENSE

Money spent or cost incurred by the force to police and protect the county, representing the cost of policing.

GOING CONCERN

The concept that the organisation 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.

IAS19

International Accounting Standard 19 (IAS19) for Employee Benefits sets out the accounting treatment and disclosure for employee benefits and pensions.

IFRS

International Financial Reporting Standards

INCOME

Income is money (or some equivalent value) that the force, usually receives in exchange for providing a police service.

INTEREST COSTS (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

JOINT AUDIT COMMITTEE (JAC)

The JAC is an independent Joint External Audit Committee of the Surrey Police and Crime Commissioner and the Chief Constable of Surrey providing a key component of corporate governance arrangements for both corporations sole.

LAAP

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting and Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but are not prescriptive and do not have the formal status of the Code or Prudential Code.

LIABILITY

An obligation that legally binds an individual or company to settle a debt.

NET OPERATING EXPENDITURE

The total net expenditure before financing from Central Government grants or local Council Tax and before the movements shown in the Statement of Movement on the General Fund Balance.

PAST SERVICE COSTS (PENSIONS)

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.

PCC

Police and Crime Commissioner

POLICE GRANT

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

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.

RESERVE

An amount set aside for a specific purpose and carried forward to meet expenditure in future years. General reserves represent accumulated balances which may be used to support future spending. Earmarked reserves are those reserves set aside to meet specific policy purposes.

REVENUE BUDGET

The Revenue Budget estimates annual income and expenditure requirements, and sets out the financial implications of the PCC Group policies and the basis of the annual precept to be levied on collection funds.

SCHEME LIABILITIES (PENSIONS)

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

SETTLEMENT (PENSIONS)

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

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

TOTAL NET EXPENDITURE

Total net spending requirement after deducting specific grants and other local income is financed by Central Government grants and local Council Tax.