

# **The Police and Crime Commissioner for Surrey and The Chief Constable of Surrey Group**

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 Police and Crime Commissioner (PCC) for Surrey and the PCC Group. This narrative report explains the purpose of the Financial Statements and a summary of the financial activities during 2019/20 and its financial position as at 31 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 (notable flooding risk); the county is 73% greenbelt. Surrey borders the UK's busiest two airports. It is the most densely populated county in South East England with a population of 1.2 million. The Olympic legacy increased the sporting footprint, with national cycling competitions and the 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.

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.

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.

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

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

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

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

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

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

All the financial transactions incurred during 2019/20 for policing Surrey have been recognised and recorded within this Statement of Accounts, which sets out the overall position of the PCC and the PCC Group for the year ending 31 March 2020. Where the Group position differs from the PCC position this is made clear in the statements and notes. Separate statutory accounts are prepared for the Chief Constable.

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

### **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 the year on the different reserves, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

### **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).

### **Balance Sheet**

This shows the value of the assets and liabilities held 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 PCC and PCC Group during the reporting period. The statement shows how the PCC and PCC Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

### **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.

### **Governance**

The accounts are subject to detailed review by an independent external auditor. The auditor provides assurance that the accounts provide a true and fair view of financial position, are

prepared correctly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

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).

### 3. Police & Crime Commissioner Financial Arrangements

#### Method of Funding

Funding arrangements for Police and Crime Commissioners broadly follow the arrangements for local authorities. The PCC and PCC Group gross revenue budget (or operating budget) for 2019/20, was set at £235.1m (2018/19 £214.6m). A summary of the funding sources is shown below:

2018/19 £m	Police Funding	2019/20 £m
61.2	Home Office Police Grants	62.6
28.8	Non Domestic Rates	29.4
2.5	Council Tax Freeze Grant	2.5
<b>92.5</b>	<b>Total Central Support</b>	<b>94.5</b>
119.2	Gross Council Tax Precept	132.8
6.7	Council Tax Localisation Grant	6.7
(3.8)	General Reserves	1.1
<b>214.6</b>	<b>Total Police Fund</b>	<b>235.1</b>

Of the above funding, the council tax precept and use of general reserves are set locally by the PCC prior to the start of the financial year, with all other funding set centrally by Government.

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

End of year outturn underspend or overspend variations to the £235.1m budget (2018/19 £214.6m) are transferred to/from the PCC and PCC Group reserve balances.

Capital expenditure is financed from government grants, contributions from third parties, capital receipts, borrowing and direct funding from the operating (revenue) budget. The detail of the financing employed in 2019/20 is shown in the Capital Expenditure and Capital Financing table. The balances held for future capital expenditure are shown in the Balance Sheet and notes to the Core Financial Statements.

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

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

- Agreeing the budget for Surrey Police

- Overseeing how the budget is spent
- Receiving funding from government grants
- Setting the annual precept

### **Role of the Chief Finance Officer**

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

### **4. Operating (Revenue) Expenditure**

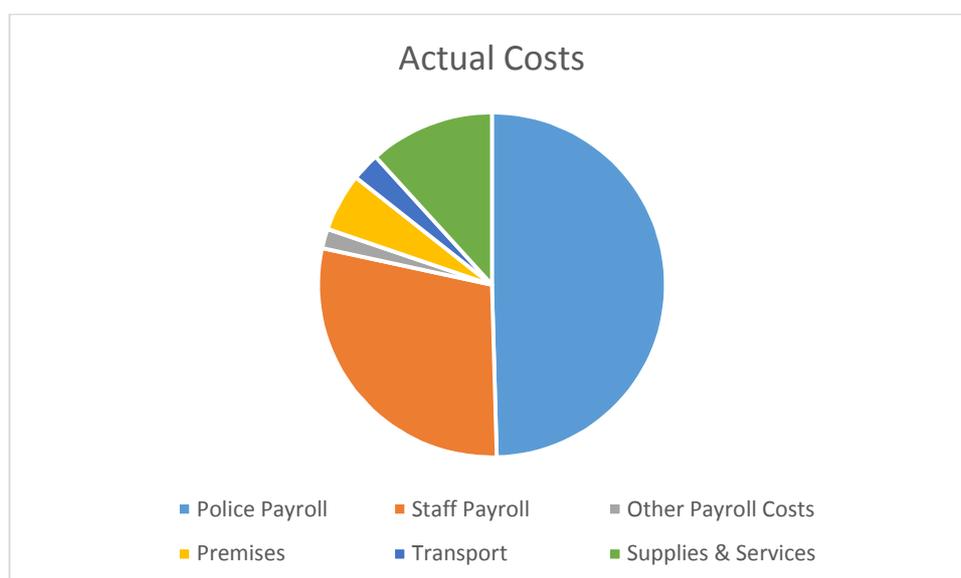
The PCC Group budgeted to spend £235.1m in 2019/2020 which included decreasing reserves by £1.1m. Expenditure of £233.7m (2018/19 £214m) was actually incurred resulting in an unplanned £0.3m increase in reserves as shown in the following table.

<b>2019/20 Budget &amp; Outturn</b>	<b>£m</b>
Gross Budget	235.1
Planned Use of Reserves not required	(1.1)
Outturn Expenditure	233.7
<b>Underspend</b>	<b>0.3</b>
To/(from) Reserves	0.3

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

The gross revenue budget for the year of £235.1m was an increase of £20.5m compared to the prior year budget of £214.6m. This report provides the revenue and capital position for the Force with the PCC budget separated out and reported elsewhere. The Force revenue budget is £235.1m against actual spend for the year of £233.7m, resulting in total underspend of £0.3m and an unrequired planned use of reserves of £1.1m.

Whilst the outturn position for the year-end is underspent by £0.3m, there were overspends within police officer pay that were offset with underspends within staff pay and other non-pay categories.



Expenditure 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)
<b>Total Chief Constable Costs</b>	<b>231.6</b>	<b>231.9</b>	<b>(0.3)</b>
<b>PCC Office Costs</b>	<b>2.1</b>	<b>2.1</b>	<b>0.0</b>
<b>Group Expenditure</b>	<b>233.7</b>	<b>234.0</b>	<b>(0.3)</b>
Use of reserves	0.0	1.1	(1.1)

Detailed analysis of actual expenditure for the year ended 31 March 2020 can also be seen in the Comprehensive Income and Expenditure Statement.

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

The total net expenditure shown in the CIES 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. 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.

The following table reconciles Group operational expenditure for 2019/20 to the position reported in the CIES by showing how 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.

	2019/20		
	Group £m	PCC £m	CC £m
<b>Operational Delivery Net Expenditure per revenue outturn report 2019/20</b>	<b>233.7</b>	<b>2.1</b>	<b>231.6</b>
Reserve and Provision transfers excluded from (Surplus)/Deficit on Provision of Services:			
Usable Reserves	(2.6)	0.0	(2.6)
Financial year end accounting adjustments	(6.6)	0.0	(6.6)
Amounts in the CIES not in the outturn report:			
Depreciation & amortisation	11.2	0.0	11.2
Pensions	56.0	0.1	55.9
<b>Net Cost of Services</b>	<b>291.7</b>	<b>2.2</b>	<b>289.5</b>
Intra-group Adjustment from PCC to CC for resources consumed at the request of the Chief Constable	0.0	251.3	(251.3)
Pension Interest costs and expected return on pension assets	53.3	0.0	53.2
Levies & other operating expenditure	0.5	0.0	0.5
Taxation and non-specific grant income	(252.4)	(252.4)	0.0
<b>Deficit on the provision of services</b>	<b>93.1</b>	<b>1.1</b>	<b>91.9</b>
(Surplus) on revaluation of Property, Plant and Equipment	(9.5)	(9.5)	0.0
Re-measurement of the net defined benefit liability/asset	(191.5)	(0.1)	(192.8)
<b>Total Comprehensive Income and Expenditure</b>	<b>(107.9)</b>	<b>(7.0)</b>	<b>(100.9)</b>

## 5. Capital Expenditure

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.

<b>CAPITAL BUDGET OUTTURN 2019/20</b>				
	<b>Actual £m</b>	<b>Revised Budget £m</b>	<b>Variance over/ (under) spend</b>	
			<b>£m</b>	<b>%</b>
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%)
<b>Total</b>	<b>9.4</b>	<b>20.7</b>	<b>(11.3)</b>	<b>(55%)</b>

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

## **6. Employee Pension Schemes**

The PCC Group operates two separate pension schemes, one for Police Officers and another for Police Staff. Although benefits from these schemes will not be payable until an officer or staff member retires, the PCC Group has a future commitment to make these payments and under International Accounting Standard 19 (IAS 19), the PCC Group is required to account for this future commitment based on the full cost at the time of retirement. The result of accounting for this commitment has a substantial impact on the net worth of the Balance Sheet, resulting in a negative pension reserve on the Balance Sheet totalling £2,057.2m. (See Note 26). However, statutory arrangements for funding the deficit mean that the financial position of the PCC Group remains healthy.

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. Overall Financial Position**

The level of available revenue balances, earmarked reserves and general reserves held by the PCC has increased by £2.3m from £17.3 m to £19.5m. The balance of £19.5m represents 8% of the 2020/21 annual budget. General Reserves are £8.2m, 3.0% of the annual budget for 2020/21 with earmarked reserves at £11.4m.

General reserves increased as follows:

	<b>General Fund Balance £m</b>	<b>Earmarked Reserves £m</b>	<b>TOTAL £m</b>
<b>Opening Earmarked Reserve Balance</b>	<b>(6.8)</b>	<b>(10.4)</b>	<b>(17.3)</b>
Reclassification of Chief Constable Reserve to within General Fund Balance	(1.1)	1.1	0.0
<b>Revised Balance</b>	<b>(7.9)</b>	<b>(9.4)</b>	<b>(17.3)</b>
Transfer (to) from Earmarked Reserves		(2.0)	(2.0)
Operational underspend	(0.3)		(0.3)
<b>Closing Earmarked Reserve Balance</b>	<b>(8.2)</b>	<b>(11.4)</b>	<b>(19.5)</b>

The earmarked reserves are held as follows: At 31 March 2020 £3.4m was held against the PCC and PCC Group's estimate of existing insurance liabilities under the current self-funded arrangements, £1.6m in Ill health reserves, £2.8m in an Estate Strategy reserve, £1.0m for an Operational reserve, £1.0 for Covid-19 and £1.6m for Cost of Change.

In addition to the earmarked reserves noted above the PCC held other Usable Reserves at 31 March 2020 of £0.2m in the Capital Receipts Reserve and £2.9m in the Capital Grants & Contributions Unapplied Reserve for accounting and capital financing purposes.

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

## 8. Further Information

Surrey Police continues to undertake significant change activity through the Policing Together programme with Sussex Police, and also with other forces in the South-East region, in order to meet the financial challenges, increase resilience and improve service delivery. The actual savings programme and budget reductions for 2019/20 totalled £2.8m 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 police Forces in Surrey and Sussex.

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 undertaking 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. HMICFRS 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.

## **9. Financial Outlook**

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

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

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 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. We could not have anticipated the level of change internally, nationally and globally that was coming our way.

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.

Unprecedented times required people to think on their feet and react to emerging needs to reduce the spread of Covid-19. The Covid-19 pandemic has radically change the demands upon, and the working practice 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. Surrey Police will continue to work with partners to adapt to a new normality and to embed the best of partnership work to enhance performance going forwards.

The annual revenue budget for 2020/21 was set by the PCC at £250.0m (£235.1m 2019/20). 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 78 officers for Surrey Police during 2020/21. This will further boosted by 3.8% rise in this year's council tax precept.

Reserves are a key part of budget setting and financial planning. The general reserves strategy for the PCC is 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 the medium term financial planning to mitigate any short term predicted funding gaps. Estimated reserves as per the Home Office classifications are shown on the following table, with the full reserves strategy being available on the PCC's website.

	2019/20	2020/21	2021/22	2022/23	2023/24
RESERVES	Draft £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan	8.5	4.5	6.0	6.6	2.8
Funding for specific projects and programmes beyond the current planning period	0.0	0.0	0.0	0.0	0.0
As a general contingency or resources to meet other expenditure needs held in accordance with sound principles of good financial management	14.2	13.2	13.3	13.4	13.5
<b>Total</b>	<b>22.7</b>	<b>17.7</b>	<b>19.3</b>	<b>20.0</b>	<b>16.3</b>

Following Article 50 being triggered to end the UK's membership of the European Union (EU), there remains a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. There could be an impact on property valuations if confidence in the wider UK property market falls; and the valuation of Surrey Police officer and staff defined benefit pension obligations may also be affected in the future.

### Further Sources of Information

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](http://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](mailto:CorporateFinance@Surrey.pnn.police.uk).



**Kelvin Menon**, Chief Finance Officer, Office of the Police and Crime Commissioner for Surrey

Date: 30 June 2020

## External Auditor's Report

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## Statement of Responsibilities

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

The Police and Crime Commissioner is required:

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

I approve these Statement of Accounts for the year ended 31 March 2020.

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

Date:

### **The Responsibilities of the Treasurer**

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

In preparing this Statement of Accounts, the Treasurer has:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Office of the Police and Crime Commissioner for Surrey and the Surrey Police Group at the accounting date and the income and expenditure for the year ended 31 March 2020. These financial statements are unaudited and as such may be subject to change.



**Kelvin Menon**  
**Treasurer of the Police and Crime Commissioner**

Date: 30 June 2020



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Surrey Police  
**Police and Crime Commissioner's Annual Governance  
Statement 2019-20**

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## 1 Introduction

- 1.1 This Annual Governance Statement sets out how the Surrey Police & Crime Commissioner (PCC) and Office of the Police & Crime Commissioner (OPCC) have complied with the corporate governance framework set out in the Scheme of Governance for Surrey in place for the year ended 31 March 2020.
- 1.2 It is designed to complement the annual governance statement of the Surrey Police, 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 Scope of Responsibilities

- 2.1 The respective roles of PCCs, Chief Constables and Police & Crime Panels are detailed in the statutory instrument, Policing Protocol Order 2011. This cites that the PCC is responsible for the 'totality of policing' within Surrey. The over-arching key responsibilities of the PCC are:
  - To secure the maintenance of an efficient and effective police force for the area
  - To hold the Chief Constable to account for the exercise of his or her functions
  - Wider powers in relation to working with and bringing together community safety and criminal justice partners
- 2.2 The Chief Constable retains operational control of the Force in governance arrangements, which must not be fettered by the PCC.
- 2.3 David Munro was elected as PCC for Surrey in May 2016 for a four-year term. Although elections were scheduled for May 2020, these were deferred by the Government until May 2021 and Mr Munro's term extended by a further year. Mr Munro is supported by a small team of staff who form the Office of the Surrey Police & Crime Commissioner. The team structure is set out on the PCC's website. The OPCC is responsible for ensuring that the PCC's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 2.4 In discharging this overall responsibility, the Surrey OPCC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and for the management of risk.

## 3 The Governance Framework

- 3.1 Surrey OPCC has approved and adopted a Scheme of Governance which is consistent with the principles of the CIPFA Framework, 'Delivering Good Governance'. The Scheme shows how the OPCC complies with the principles of 'good governance' as defined by CIPFA and sets out the arrangements in place for effective governance and financial management. It comprises a number of elements, including:
  - Code of Corporate Governance: how the PCC and Chief Constable achieve the core principles of 'good governance'

- Framework of Decision-Making and Accountability: how the PCC makes/publishes key decisions and holds the Chief Constable to account
- Scheme of Delegation: key roles of the PCC and those functions delegated to others
- Memorandum of Understanding: setting out the cooperative arrangements between the PCC and Chief Constable for the provision of business support and administration.
- Financial Regulations: the framework for managing the PCC's financial affairs
- Contract Standing Orders: rules for the procurement of goods, works and services

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

- 3.2 A copy of the Scheme and its component parts is available on the PCC's website or can be obtained from the Office of the Police & Crime Commissioner, Mount Browne HQ, Guildford GU3 1HR. This Annual Governance Statement explains how Surrey OPCC has complied with the Scheme during the year 2019-20.
- 3.3 The various elements of the Scheme of Corporate Governance set out the systems and processes, culture and values by which Surrey OPCC is directed and controlled and the activities it undertakes to engage with and be accountable to local communities. It enables the OPCC to monitor the achievement of the PCC's strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 3.4 The systems of internal control are a significant part of the Scheme and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The PCC has on-going processes designed to identify and prioritise risks to the achievement of the OPCC's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 3.5 Below, we set out how the OPCC demonstrates the seven principles of good governance in policing, as defined by the CIPFA Guidance Notes for Policing Bodies in England and Wales (2016 Edition).
- 3.6 **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law:**

To achieve this principle, the PCC has:

- Ensured that the **Code of Ethics** is embedded in the organisation
- Been briefed on the Code of Ethics and signed up to an [Ethical Checklist](#)
- Linked the [Police & Crime Plan](#) to the Force's 'Plan on a Page' to ensure shared values are communicated clearly across the organisation
- Signed up to a [Concordat](#) with the Chief Constable, aligned to the Policing Protocol Order 2011, requiring abidance to the Seven Principles of Public Life (the Nolan Principles). The concordat highlights the expectation that the relationship between PCC and Chief Constable will be based on the principles of goodwill, professionalism, openness and trust
- Taken the **Oath of Office** on the day of election
- Signed up to a voluntary [Code of Conduct](#)
- Published [Registers of interests](#) and records of gifts, hospitalities and expenses for the PCC, Chief Officers and relevant staff and shared these with the Audit Committee
- Ensured that all staff have clear objectives and up-to-date Performance Development Reviews (PDRs) and job descriptions
- As part of his **governance arrangements**, put in place a regular performance meeting which allows the PCC to hold the Chief Constable to account against the priorities of the Police & Crime Plan
- Provided responses to all HMICFRS reports which make a recommendation for Surrey or the police service nationally
- Kept **Anti-fraud and corruption policies** up-to-date and under review by the Audit Committee
- Ensured that the OPCC has an up-to-date [Freedom of Information Act Publication Scheme](#) and is compliant with new requirements for the General Data Protection Regulations

- Put **Whistle-blowing** policies in place that are published and subject to review by the Audit Committee
- Published policies and procedures on [complaints](#) on our website and reviewed wider arrangements for the handling of complaints given the new provisions of the Policing and Crime Act 2017 (came into effect in February 2020)
- Put in place arrangements for the **oversight of professional standards** and dip checking of complaints files
- Run an effective [Independent Custody Visitors Scheme](#) which ensures the welfare of those detained in police custody and subjected the scheme to peer assessment
- Taken on a **national portfolio lead** for issues of equality, diversity and human rights
- Employed a Chief Executive who undertakes the responsibilities of **Monitoring Officer**

### 3.7 Principle B: Ensuring openness and comprehensive stakeholder engagement:

To achieve this principle, the PCC has:

- Published his **Police & Crime Plan** which clearly sets out the strategic direction and objectives for Surrey and how they will be delivered
- Published an **Annual Report** against his plan which was approved by the Police & Crime Panel
- Undertaken a **survey** prior to setting the council tax precept and published results on his website
- Held a **series of public engagement events** to determine public views on the allocation of additional resource which will be funded via the increase in council tax precept
- Fostered good working relationships with the **Police & Crime Panel**, constituent local authorities and other partners
- Made a series of visits to a wide range of partner organisations, community groups and residents associations
- Developed an accessible and engaging **public website** and social/digital media channels
- Held regular [webcast performance meetings](#) which can be viewed by the public with papers published on the OPCC's website
- Discharged his statutory, reciprocal duty with responsible authorities to co-operate to reduce crime, disorder and re-offending through good governance arrangements with partner agencies
- Provided chairmanship of the Local Criminal Justice Partnership and Community Safety Board
- Engaged with **partnerships** at a national level (e.g. taken a national lead on equality and diversity issues), at a regional level (e.g. South East collaboration board) as well as at a local level
- Signed up to a number of **Collaboration agreements** to set out those areas of business to be undertaken jointly with other Forces and Local Policing Bodies
- Responded to **national consultations** where appropriate, for example through the Association of PCCs
- Published a **commissioning and grants strategy** to set the framework for how he will focus resources and work with partners and a [funding hub](#) to provide information on how monies have been spent
- Played an active role in the **Independent Advisory Group** and taken a national lead on issues around equality and diversity

### 3.8 Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

To achieve this principle, the PCC has:

- Ensured that the Force's **Vision and Mission** document is used as a basis for corporate and service planning and is linked to the Police & Crime Plan
- Established **performance measures** and governance structures that allow the PCC and Surrey Police to assess progress against their objectives
- Kept the **Medium Term Financial Plan** under regular review
- Ensured that reviews of **capital investment plans** are undertaken to achieve appropriate lifespans and adaptability for future use
- Sought assurance that projects are subject to sound **business cases** with appropriate 'gateway' sign-off points
- Subjected key strategic projects, e.g. the ERP system and estates strategy, to specific and expert oversight arrangements

- Commissioned and developed **services for adults, children and young people** in Surrey that are informed by needs analysis and aligned to Police and Crime Plan and commissioning strategy
- Developed partnerships between Surrey Police and private and public sector partners to jointly tackle problems, for example promoting partnership working in tackling Modern Slavery
- Held an **efficiency review** of Surrey Police and the OPCC

### 3.9 Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes:

To achieve this principle, the PCC has:

- Undertaken an annual review of the **corporate governance framework** and key high level governance documents and subjected compliance with these documents to audit
- Agreed a **Memorandum of Understanding** to set out the information and service requirements needed by the PCC and provided by the Force
- Maintained a **Medium Term Financial Strategy**
- Ensured that processes are in place to allow proper **analysis and evaluation of plans** including option appraisal, assessing the impact of alternative approaches and benefits realisation
- Overseen workforce **development and asset management plans** (e.g. estates and ICT)
- Published a **forward plan** of decisions
- Kept **Risk Management** policies under review, with assurances from the Audit Committee
- Included a set of **performance aspirations** to be monitored at performance meetings
- Placed particular **focus on areas of underperformance**, e.g. positive outcomes for high harm offences

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

To achieve this principle, the PCC has:

- Appointed a **Chief Constable**, in accordance with guidance from the College of Policing, set clear objectives for this role and assessed performance against these
- Ensured that **talent and succession plans** are in place
- Reviewed the Force's preparations for new initiatives such as Apprenticeships and the Police Constable Degree (PCDA) programme
- Given staff of the Force and OPCC access to **learning and development resources** and encouraged a focus on Continuous Professional Development
- Analysed feedback from **staff well-being surveys**
- Kept a check on the Force's approach to **reward** that aims to attract and retain the best people with the most appropriate skills
- Ensured that policies for **Equality and Diversity** set out how the OPCC/Force will promote diversity by recognising, valuing and respecting the different contributions and needs of both communities and staff

### 3.11 Principle F: Managing risks and performance through robust internal control and strong public financial management

To achieve this principle, the PCC has:

- Put in place a **Risk Management Strategy** that allows the Force and OPCC to identify and manage operational, strategy and project risks
- Maintained a **Risk Register and Assurance Framework** for the OPCC
- Received advice from the [Joint Audit Committee](#) which continues to provide **external scrutiny** of strategic risks and which operates in line with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and within the guidance of the Financial Management Code of Practice
- Subjected decisions to scrutiny by the **Police & Crime Panel**
- Reviewed the overarching **Scheme of Governance** which highlights the parameters for decision making, including the arrangements for governance, delegations, consents, financial limits for specific matters and standing orders for contracts

- Ensured that **Annual Governance Statements** are produced for the Force and OPCC
- Ensured that an effective **internal audit** service has been resourced and that internal audit plans and reports are informed by and scrutinised by the Audit Committee
- Engaged with the **External audit** service, whose reports are scrutinised by the Audit Committee
- Put in place and published **Data protection** policies and implemented arrangements for the new **General Data Protection Requirements**
- Received assurances from HMICFRS around Force **efficiency and effectiveness**
- Received regular **budget monitoring** reports
- Approved a **treasury management** strategy
- Been represented at force meetings where data quality issues are discussed
- Put in place **business continuity plans**
- Ensured that The PCC and Chief Constable abide by the **CIPFA Financial Management Code of Practice**

### 3.12 Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

To achieve this principle, the PCC has:

- Held the **Chief Constable to account** on a regular basis at performance meetings, with some of these being webcast so they are publicly available, with papers and minutes published
- Been commended for compliance with the Local Policing Bodies Specified Information Order 2011 which determines which information should be **published on the OPCC website**
- Ensured that the Force and OPCC publish their respective **Statement of Accounts** and Annual Governance Statements
- Ensured compliance with the CIPFA Statement on the Role of the Head of Internal Audit (2010)
- Published all [all key decisions](#) on his website
- Reviewed his **decision-making practices** which are clearly set out in the Framework of Decision-Making and Accountability

## 4 Review of Effectiveness

- 4.1 The PCC must ensure the effectiveness of the governance framework, including the system of internal audit and control.
- 4.2 Assessments and recommendations made by the internal and external auditors and other review agencies are kept under review by the OPCC and at meetings of the Joint Audit Committee.
- 4.3 The Joint Audit Committee has been consulted on the development of the annual governance statement.
- 4.4 A process is established to ensure the Chief Constable and Surrey PCC, approve and sign off their respective annual governance statements, in accordance with the CIPFA guidance.

## 5 Internal Audit Opinion

- 5.1 For the 12 months ended 31 March 2020, the Head of Internal Audit opinion for Surrey Police is as follows:

*To be inserted when opinion available from the Internal Auditor*

## 6 In response to Covid-19

- 6.1 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.

- 6.2 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.
- 6.3 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 21
- In Surrey Police these powers are used only on the express direction of specific individuals.
- 6.4 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.
- 6.5 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.
- 6.6 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;
  - 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.
- 6.7 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.
- 6.8 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.
- 6.9 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.

- 6.10 The OPCC has continued to scrutinise the Force using electronic means of communication rather than face to face meetings. The PCC has held Performance Meetings with the Force remotely to ensure that the Chief Constable is still held to account. Remote meetings of the Joint Audit Committee and the Police and Crime Panel are also scheduled to take place as usual. The Internal Audit plan for 2020/21 has been re-ordered to enable audits which can be done remotely to be completed first. This is to ensure that any slippage in the overall timetable is minimised. The PCC has invited voluntary bodies to apply for special Covid-19 grants to support their work within the Community, especially in areas of Domestic and Child abuse, and to date almost £250,000 has been awarded.

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

- 7.1 The PCC and Chief Constable must both have a suitably qualified CFO with defined responsibilities and powers. The CIPFA Statement requires that the CFO should be a professionally qualified accountant, report directly to the PCC or the Chief Constable (depending on the specific CFO concerned) and be a member of their respective leadership teams. In the OPCC, the role of the CFO meets these requirements. In Surrey Police, the CFO holds the title of Executive Director of Commercial and Financial Services and is a key member of the Chief Constable's leadership team. The CFO has direct access to the Chief Constable on financial matters however reports to the Deputy Chief Constable. This is consistent with other Surrey Chief Officers who report to either the Chief Constable or the Deputy Chief Constable.

## **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.

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

**Alison Bolton, Chief Executive, Office of the PCC for Surrey**

**Kelvin Menon, Chief Finance Officer, Office of the PCC for Surrey**

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

<i>Ref</i>	<i>Area for improvement</i>	<i>Owner</i>	<i>Anticipated completion dates</i>
<b>ISSUES CARRIED OVER FROM 2019-20 AGS ACTION PLAN</b>			
1	<b>Further improvements to financial reporting identified by the Executive Director Finance Commercial Services</b> – 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	<b>ERP Payroll Extra Costs – limited assurance internal audit opinion</b> 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	<b>ERP/EQUIP Programme</b> 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
	<b>Uniform and Small Assets</b> – No assurance internal audit opinion (2018-19) 2 high, 3 medium management actions	Service Director, Estates & Facilities	ERP/Equip solution
<b>ISSUES IDENTIFIED FROM INTERNAL AUDIT 2019-20</b>			
	<b>Surrey Police Victims Code 2019/20 – Limited Assurance</b> 9 high, 3 medium management actions	Surrey OPCC CEO and Head of Victims & Witness Care Unit	17/12/20
	<b>Crime Recording Data Quality – Limited Assurance</b> 6 medium, 7 low management actions	Head of Service Quality	Complete
	<b>IT – Data Centre Facilities &amp; Security – Limited Assurance</b> 2 high, 2 medium, 4 low level management actions	Chief Digital and Information Officer	31.10.20
	<b>IT – Data Storage and Backup – Limited Assurance</b> 4 high, 6 medium, 1 low level management actions	Chief Digital and Information Officer	20.11.20
	<b>IT – Capacity and Performance Monitoring – Limited Assurance</b> 1 high, 4 medium, 2 low level management actions	Chief Digital and Information Officer	31.03.21
	<b>Transport – Fleet Management – Limited Assurance</b> 4 high, 5 medium, 5 low level management actions	Executive Director Commercial and Financial Services/ Head of Joint Transport	Complete
	<b>Pensions Administration &amp; Contract Management 2019/20 – Limited Assurance</b>	Director of People Services	
<b>PROPOSED NEW AREAS OF IMPROVEMENT IDENTIFIED BY FORCE FOR 2020-21 AGS ACTION PLAN</b>			
	<b>Information Commissioner's Office guidance regarding publication of information</b> 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
	<b>Information Sharing Agreements</b> 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
	<b>Risk assurance mapping:</b> As proposed by Karen Shaw, Deputy Head of Southern Internal Audit Partnership – risk assurance mapping exercise to be undertaken in relation to strategic force risks building on from work undertaken re action 14 above in relation to mapping corporate governance arrangements.	Executive Director Commercial and Financial Services/ Risk Manager	02.09. 20 report to ORB

	<p><b>Covid-19</b> Keep under review the impact of Covid-19 issues on Surrey Police and consider any governance issues arising.</p>	<p>Deputy Chief Constable / Executive Director of Commercial and Finance Services</p>	<p>31.03.21</p>
	<p><b>Covid-19</b> Undertake a lessons learned review from the Covid-19 response.</p>	<p>Deputy Chief Constable / Executive Director of Commercial and Finance Services</p>	<p>31.03.21</p>

## Movement in Reserves Statement

### Group

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2019</b>	(6,812)	(10,441)	<b>(17,253)</b>	(3,996)	(1,317)	<b>(22,565)</b>	<b>2,0596,936</b>	<b>2,034,370</b>
<b>Movement in reserves during 2019/20</b>								
Surplus or deficit on the provision of services	93,019		93,019			<b>93,019</b>		<b>93,019</b>
Other Comprehensive Income / Expenditure							(200,968)	<b>(200,968)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>93,019</b>	<b>0</b>	<b>93,019</b>			<b>93,019</b>	<b>(200,968)</b>	<b>(107,949)</b>
Adjustments between accounting basis and funding basis under regulations	(95,297)		(95,297)	3,799	(1,629)	<b>(93,127)</b>	93,127	
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,278)</b>	<b>0</b>	<b>(2,278)</b>	<b>0</b>	<b>0</b>	<b>(108)</b>	<b>(107,841)</b>	<b>(107,949)</b>
Transfers to / from Earmarked Reserves	2,011	(2,011)	0			<b>0</b>	0	<b>0</b>
Transfer Chief Constable Reserve to General Fund Balance	(1,071)	1,071	0			<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2019/20</b>	<b>(1,338)</b>	<b>(940)</b>	<b>(2,278)</b>	<b>3,799</b>	<b>(1,629)</b>	<b>(108)</b>	<b>(107,841)</b>	<b>(107,949)</b>
<b>Balance at 31 March 2020</b>	<b>(8,150)</b>	<b>(11,381)</b>	<b>(19,531)</b>	<b>(197)</b>	<b>(2,946)</b>	<b>(22,674)</b>	<b>1,949,095</b>	<b>1,926,421</b>

	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Total General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Un-applied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2018</b>	(6,147)	(6,907)	(13,054)	(8,806)	(1,602)	<b>(23,462)</b>	1,831,822	<b>1,808,360</b>
<b>Movement in reserves during 2018/19</b>								
Surplus or deficit on the provision of services	143,644		143,644			<b>143,644</b>		<b>143,644</b>
Other Comprehensive Income / Expenditure							82,364	<b>82,364</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>143,644</b>	<b>0</b>	<b>143,644</b>			<b>143,644</b>	<b>82,364</b>	<b>226,009</b>
Adjustments between accounting basis and funding basis under regulations	(147,843)		(147,843)	4,810	285	<b>(142,748)</b>	142,748	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(4,199)</b>	<b>0</b>	<b>(4,199)</b>	<b>4,810</b>	<b>285</b>	<b>896</b>	<b>225,112</b>	<b>226,009</b>
Transfers to / from Earmarked Reserves	3,534	(3,534)	0			<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2018/19</b>	<b>(665)</b>	<b>(3,534)</b>	<b>(4,199)</b>	<b>4,810</b>	<b>285</b>	<b>896</b>	<b>225,112</b>	<b>226,009</b>
<b>Balance at 31 March 2019</b>	<b>(6,812)</b>	<b>(10,441)</b>	<b>(17,252)</b>	<b>(3,996)</b>	<b>(1,317)</b>	<b>(22,565)</b>	<b>2,056,934</b>	<b>2,034,368</b>

OPCC

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2019</b>	(6,812)	(10,441)	(17,252)	(3,996)	(1,317)	<b>(22,565)</b>	(100,902)	<b>(123,467)</b>
<b>Movement in reserves during 2019/20</b>								
Surplus or deficit on the provision of services	1,203		1,203			<b>1,203</b>		<b>1,203</b>
Other Comprehensive Income / Expenditure							(8,197)	<b>(8,197)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>1,203</b>	<b>0</b>	<b>1,203</b>			<b>1,203</b>	<b>(8,197)</b>	<b>(6,994)</b>
Adjustments between accounting basis and funding basis under regulations	(3,481)		(3,481)	3,799	(1,629)	<b>(1,311)</b>	1,311	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,278)</b>	<b>0</b>	<b>(2,278)</b>	<b>3,799</b>	<b>(1,629)</b>	<b>(108)</b>	<b>(6,886)</b>	<b>(6,994)</b>
Transfers to / from Earmarked Reserves	2,011	(2,011)	0			<b>0</b>	0	<b>0</b>
Transfer Chief Constable Reserve to General Fund Balance	(1,071)	1,071	0			<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2019/20</b>	<b>(1,338)</b>	<b>(940)</b>	<b>(2,278)</b>	<b>3,799</b>	<b>(1,629)</b>	<b>(108)</b>	<b>(6,886)</b>	<b>(6,994)</b>
<b>Balance at 31 March 2020</b>	<b>(8,150)</b>	<b>(11,381)</b>	<b>(19,531)</b>	<b>(197)</b>	<b>(2,946)</b>	<b>(22,674)</b>	<b>(107,788)</b>	<b>(130,462)</b>

	<b>General Fund Balance £000</b>	<b>Earmarked General Fund Reserves £000</b>	<b>Total General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Un- applied Account £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Reserves £000</b>
<b>Balance at 31 March 2018</b>	(6,147)	(6,907)	(13,054)	(8,806)	(1,602)	<b>(23,462)</b>	(97,003)	<b>(120,465)</b>
<b>Revised opening balance</b>	<b>(6,147)</b>	<b>(6,907)</b>	<b>(13,054)</b>	<b>(8,806)</b>	<b>(1,602)</b>	<b>(23,462)</b>	<b>(97,003)</b>	<b>(120,465)</b>
<b>Movement in reserves during 2018/19</b>								
Surplus or deficit on the provision of services	2,254		2,254			<b>2,254</b>		<b>2,254</b>
Other Comprehensive Income / Expenditure							(5,256)	<b>(5,256)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>2,254</b>	<b>0</b>	<b>2,254</b>			<b>2,254</b>	<b>(5,256)</b>	<b>(3,002)</b>
Adjustments between accounting basis and funding basis under regulations	(6,452)		(6,452)	4,810	285	<b>(1,357)</b>	1,357	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(4,198)</b>	<b>0</b>	<b>(4,198)</b>	<b>4,810</b>	<b>285</b>	<b>897</b>	<b>(3,899)</b>	<b>(3,002)</b>
Transfers to / from Earmarked Reserves	3,534	(3,534)	0			<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2018/19</b>	<b>(665)</b>	<b>(3,534)</b>	<b>(4,198)</b>	<b>4,810</b>	<b>285</b>	<b>897</b>	<b>(3,899)</b>	<b>(3,002)</b>
<b>Balance at 31 March 2019</b>	<b>(6,812)</b>	<b>(10,441)</b>	<b>(17,252)</b>	<b>(3,996)</b>	<b>(1,317)</b>	<b>(22,565)</b>	<b>(100,902)</b>	<b>(123,467)</b>

## Comprehensive Income and Expenditure Statement

This Comprehensive Income and Expenditure Statement (CIES) shows the consolidated 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 regulations; this is different from the accounting cost. The adjustments between accounting basis and funding basis under regulations are shown in the Movement in Reserves Statement.

### Group

Expenditure	2018/19		Net		2019/20		Net
	£000	£000			£000	£000	
209,450	0	209,450	Police Payroll	157,885	0	157,885	
4,270	0	4,270	Police Overtime	5,377	0	5,377	
73,455	0	73,455	Staff Payroll	77,833	0	77,833	
1,454	0	1,454	Staff Overtime	1,716	0	1,716	
1,048	0	1,048	Agency	2,014	0	2,014	
1,170	0	1,170	Training	1,148	0	1,148	
1,814	0	1,814	Other Payroll Costs	1,751	0	1,751	
9,774	0	9,774	Premises	12,695	0	12,695	
28,741	0	28,741	Supplies and Services	29,375	0	29,375	
4,475	0	4,475	Transport	5,288	0	5,288	
8,879	0	8,879	Depreciation	11,191	0	11,191	
0	(13,228)	(13,228)	Income	0	(14,602)	(14,602)	
(1)	0	(1)	Rounding				
<b>344,529</b>	<b>(13,228)</b>	<b>331,301</b>	<b>Cost of Services</b>	<b>306,273</b>	<b>(14,602)</b>	<b>291,671</b>	
<b>344,529</b>	<b>(13,228)</b>	<b>331,301</b>	<b>Net Cost of Services</b>	<b>306,273</b>	<b>(14,602)</b>	<b>291,671</b>	
731	0	731	Other Operating Expenditure	508	0	508	
57,184	(7,870)	49,314	Financing and Investment Income and Expenditure	60,903	(7,587)	53,316	
0	(237,702)	(237,702)	Taxation and Non Specific Grant Income	0	(252,476)	(252,476)	
<b>402,444</b>	<b>(258,800)</b>	<b>143,644</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>367,684</b>	<b>(274,665)</b>	<b>93,019</b>	
		(5,256)	Surplus or deficit on revaluation of Property, Plant and Equipment			(9,459)	
		87,620	Re-measurement of the net defined benefit liability / asset			(191,509)	
		<b>82,364</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(200,968)</b>	
		<b>226,008</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(107,949)</b>	

OPCC

2018/19			2019/20		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
0	0	0	0	0	0
0	0	0	0	0	0
812	0	812	983	0	983
17	0	17	22	0	22
0	0	0	0	0	0
1	0	1	4	0	4
13	0	13	16	0	16
52	0	52	52	0	52
2,444	0	2,444	2,499	0	2,499
16	0	16	15	0	15
0	0	0	0	0	0
0	(1,367)	(1,367)	0	(1,369)	(1,369)
<b>3,355</b>	<b>(1,367)</b>	<b>1,988</b>	<b>3,591</b>	<b>(1,369)</b>	<b>2,222</b>
237,835	0	237,835	251,349	0	251,349
<b>241,190</b>	<b>(1,367)</b>	<b>239,822</b>	<b>254,940</b>	<b>(1,369)</b>	<b>253,571</b>
276	0	276	(14)	0	(14)
70	(213)	(142)	397	(275)	122
0	(237,702)	(237,702)	0	(252,476)	(252,476)
<b>241,536</b>	<b>(239,282)</b>	<b>2,254</b>	<b>255,323</b>	<b>(254,120)</b>	<b>1,203</b>
		(5,256)			(9,459)
		0			1,262
		<b>(5,256)</b>			<b>(8,197)</b>
		<b>(3,002)</b>			<b>(6,994)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Police and Crime Commissioner. The net assets of the Police and Crime Commissioner (assets less liabilities) are matched by the reserves held by the Police and Crime Commissioner.

31 March 2019			31 March 2020		
OPCC	Group		OPCC	Group	
£000	£000	Notes	£000	£000	
124,417	124,418	Property, Plant and Equipment	131,271	131,271	
0	0	Investment Property	1,355	1,355	
3,545	3,544	Intangible Assets	1,873	1,873	
864	864	Long-Term Debtors	586	586	
<b>128,825</b>	<b>128,826</b>	<b>Long Term Assets</b>	<b>135,085</b>	<b>135,085</b>	
0	0	Assets Held for Sale	964	964	
468	467	Inventories	972	972	
21,167	21,276	Short-Term Debtors	23,866	23,976	
14,476	14,476	Cash and Cash Equivalents	12,408	12,408	
<b>36,110</b>	<b>36,220</b>	<b>Current Assets</b>	<b>38,210</b>	<b>38,320</b>	
(25,113)	(26,021)	Short-Term Creditors	(25,300)	(26,354)	
(720)	(829)	Provisions	(998)	(1,107)	
<b>(25,833)</b>	<b>(26,851)</b>	<b>Current Liabilities</b>	<b>(26,298)</b>	<b>(27,461)</b>	
(15,635)	(15,635)	Long-Term Borrowing	(15,114)	(15,114)	
0	(2,156,930)	Other Long-Term Liabilities	(1,421)	(2,057,250)	
<b>(15,635)</b>	<b>(2,172,565)</b>	<b>Long Term Liabilities</b>	<b>(16,535)</b>	<b>(2,072,364)</b>	
<b>123,468</b>	<b>(2,034,370)</b>	<b>Net Assets</b>	<b>(130,462)</b>	<b>(1,926,420)</b>	
(22,565)	(22,565)	Usable Reserves	(22,674)	(22,674)	
(100,902)	2,056,934	Unusable Reserves	(107,788)	1,949,095	
<b>(123,467)</b>	<b>2,034,368</b>	<b>Total Reserves</b>	<b>(130,462)</b>	<b>1,926,420</b>	

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Police and Crime Commissioner for Surrey and the Chief Constable of Surrey Group 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.



Kelvin Menon, Treasurer of the Police and Crime Commissioner

Date: 30 June 2020

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the of the Group and the Police and Crime Commissioner during the reporting period.

The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

The Chief Constable does not have any cash-flows for the year, since all payments were made from the Police Fund which is held by the Police and Crime Commissioner for Surrey (PCC). Similarly all income receipts and funding are received by the PCC during the year. The financial consequences of the operational activities do impact on the net surplus/deficit on the provision of services and adjustments to that net surplus/deficit on provision of services for non-cash movements.

Separate statements for the Group and the PCC have therefore been included to reflect the intra-group adjustments with the Chief Constable's operational activities.

2018/19			2019/20	
OPCC	Group		OPCC	Group
£000	£000		£000	£000
2,254	143,644	Net (surplus) or deficit on the provision of services	1,203	93,018
(11,404)	(152,795)	Adjustment to surplus or deficit on the provision of services for noncash movements	(8,365)	(100,180)
1,823	1,823	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,418	1,418
<b>(7,327)</b>	<b>(7,328)</b>	<b>Net cash flows from operating activities</b>	<b>(5,744)</b>	<b>(5,744)</b>
28,287	28,287	Net cash flows from investing activities	8,063	8,063
(16,350)	(16,350)	Net cash flows from financing activities	(252)	(252)
<b>4,610</b>	<b>4,609</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>2067</b>	<b>2,067</b>
19,086	19,086	Cash and cash equivalents at the beginning of the reporting period	14,476	14,476
<b>14,476</b>	<b>14,477</b>	<b>Cash and cash equivalents at the end of the reporting period<sup>12</sup></b>	<b>12,409</b>	<b>12,409</b>

## 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 39, the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Material estimates and assumptions are made in the following cases:

- **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 allocated between the Police and Crime Commissioner's and Chief Constable's accounts to reflect financial resources of the PCC 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 the Surrey Police Group 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.
- **Estates strategy** – the timing and value of future property sales need to be considered in order to provide funds for future capital programmes and in particular the Building the Future project to develop a new Police HQ.
- **Asset values** – the PCC exercises judgement in determining the carrying value of land and buildings on the PCC/PCC Group Balance Sheet by having valuations on a 5-year basis supplied by external valuers, Bruton Knowles. In addition to valuations, the local market conditions and national data are assessed as to whether there should be changes in asset values.
- **Asset values** – For the purposes of the draft financial statements a judgement has been made to include valuations as at 31 March 2020 which may contain a material uncertainty, in relation to possible impairment of tangible assets, if future service potential is reduced by the economic impact of the Covid-19 virus pandemic. This decision was taken because sufficient market data information was not available to determine and/or quantify any impacts of the pandemic on property values as at the Balance Sheet date and beyond. Market data reliability may improve as valuers gain more evidence relating to conditions at the Balance Sheet date which may lead to retrospectively revised assessments of the current value of land and

buildings held by the PCC. This may impact on revaluation losses recognised in the financial statements and if necessary will be adjusted for the final version of the 2019/20 financial statements.

- **Depreciation** – Depreciation is calculated based on asset value and expected useful life of the asset. If the useful life of an asset is reduced then the depreciation charge to the CIES will increase. The PCC monitors the useful life of assets to identify where changes to the depreciation charge are required during the year.
- **Leases** – the PCC has to determine whether the leases it enters should be classified as operating or finance leases. The PCC must also consider whether contractual arrangements it enters into have the substance of a lease. These judgements are made on the professional opinion of the PCC Group’s accountants and procurement manager based on contract procedure rules and the strict criteria set out in International Accounting Standard 17 (IAS 17) relating to leases. These will also need to be considered for IFRS 16 compliance in future years.

### **Accruals of Income and Expenditure**

Income and Expenditure is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- **Fees, charges and rents due** are accounted for as income at the date the Police and Crime Commissioner provides the relevant goods or services.
- Where **income and expenditure is recognised but cash has not been received or paid**, a debtor or creditor for the relevant year is recorded in the Balance Sheet. Estimates are used when appropriate based on expectation, experience, relevant documentary evidence and other support such as advice from specialist consultants.
- Where it is **doubtful that debts will be settled**, the balance of debtors is written down and a charge made to the CIES for the income that might not be collected.
- **Working capital** – Working capital has been judged as being attributable in full to the PCC. The PCC controls the treasury management function and all bank accounts, therefore the majority of the working capital balances (cash, current debtors and currently liabilities) are recognised in the PCC’s Balance Sheet.
- **Employee benefit accrual for 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 Constable's accounts the leave accrual has been accordingly matched and accounted for on the Chief Constables Balance Sheet. The calculation is based on staff annual leave records and an average cost for each grade.
- **Collaboration** – the PCC has to determine how to account for collaborative arrangements. The Police and Crime Commissioners and Chief Constables of Surrey and Sussex Police have entered into a legal arrangement to provide a number of services jointly with each other and other 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 which cannot be directly attributable to each force, is shared on a formula basis. Each force accounts for their own share of total income and expenditure and assets.
- **Insurance Actuarial Assumptions** - The Group annually reviews the appropriateness of its insurance funding. Independent Actuaries Marsh undertook a review on the adequacy of our insurance claim provision and reserves. The review utilises recognised actuarial techniques and generally accepted principles to forecast ultimate claims costs. All reviews are carried out by qualified actuaries in the core Marsh team dedicated to the contract. The underlying

assumptions and methodologies used in the reports are then peer-reviewed by a colleague independent to the core team.

- **Pensions recognition and disclosure** - The PCC has 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 Group 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

To be inserted when available

## 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.

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

The items in the Group’s Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p><b>Property, Plant and Equipment Valuations and Depreciation</b></p>	<p>Assets are independently assessed by professional valuers. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate of austerity could lead to uncertainty that the Police and Crime Commissioner will be able to sustain its current spending on repairs and maintenance, this in turn could impact on the useful lives assigned to assets.</p> <p>The Police and Crime Commissioner carries the assets used under the PFI contract on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.</p> <p>The Covid-19 pandemic may result in impairment to non-current assets if future service potential is reduced, this would impact on revaluation losses recognised in the financial statements and require re-statement in revised final financial statements for 2019/20.</p>	<p>If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge increases by £1.9m for every year that useful lives are reduced.</p>

<p><b>Pensions Liability</b></p>	<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 Governments Actuary's Department have been engaged to provide the Group with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme.</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 £99.7m 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>
<p><b>Pensions Costs</b></p>	<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>
<p><b>Insurance Claims Liability</b></p>	<p>The level of potential claims facing the Police and Crime Commissioner is independently assessed by professional actuaries Marsh on an annual basis. This assesses the future potential cost on the Police and Crime Commissioner of claims both known and unknown. Claims more likely to materialise in terms of probability, cost and timing, are carried as provision on the balance sheet. Funding for more intangible claims is held in the insurance reserve. The assessment is subject to peer review.</p>	<p>Additional resources would be required to cover claims costs in the event that claims are higher than predicted.</p>
<p><b>Debtors</b></p>	<p>At 31st March 2020, the Police and Crime Commissioner had a balance of sundry debtors of £X.Xm. A review of significant balances suggested that an impairment of doubtful debts of £0.XXm was appropriate.</p> <p>The Covid-19 pandemic could make it more difficult for debtors to repay outstanding debts. The bad debt provision in the accounts is sufficient to cover all aged debt not due as at 31 March 2020 and no significant increase to the level of debts overdue was observed in April or May 2020.</p>	<p>Based on the balance outstanding at 31 March 2020, If collection rates were to deteriorate, every 1% decrease would require an additional impairment provision of £0.0Xm.</p>

<p><b>Income &amp; Expenditure</b></p>	<p>The majority of funding to the Group is from Government Grants and Precept income.</p> <p>The Covid-19 pandemic could make it more difficult for Local Authorities to collect precepts from the public on behalf of the police and Government funding settlements are determined on a short term basis. Other income may also be reduced as public events are cancelled due to lockdown restrictions set by the Government. Alongside potential reductions to income there will be additional costs incurred in relation to Covid-19 including expenditure on personal protective equipment and reduced payment terms were made to support suppliers. The force command team, procurement and finance teams therefore monitor financial impacts of the pandemic on a weekly or monthly basis depending on the level of activity.</p>	<p>Currently 43.3% of the Net Budget Requirement is met by Government Grant Funding and 56.7% by Precept collections.</p>
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## Note 5 -Expenditure and Funding Analysis

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

### Group

Net Expenditure Chargeable to the General Fund Balance	2018/19	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2019/20	Net Expenditure in the Comprehensive 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
59,629	13,826	73,455	Staff Payroll	137,421	(59,587)	77,833
1,454	0	1,454	Staff Overtime	1,716	0	1,716
1,048	0	1,048	Agency	2,014	0	2,014
1,170	0	1,170	Training	1,148	0	1,148
1,814	0	1,814	Other Payroll Costs	1,751	0	1,751
9,774	0	9,774	Premises	12,695	0	12,695
28,741	0	28,741	Supplies and Services	29,375	0	29,375
4,475	0	4,475	Transport	5,288	0	5,288
0	8,879	8,879	Depreciation	0	11,191	11,191
(13,228)	0	(13,228)	Income	(14,602)	0	(14,602)
<b>181,031</b>	<b>150,270</b>	<b>331,301</b>	<b>Net Cost of Services</b>	<b>188,505</b>	<b>103,166</b>	<b>291,670</b>
(185,229)	(2,427)	(187,657)	Other Income and Expenditure	(190,7383)	(7,869)	(198,652)
<b>(4,198)</b>	<b>147,843</b>	<b>143,644</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>(2,278)</b>	<b>95,253</b>	<b>93,018</b>
(13,054)			Opening Combined General Fund Balance	(17,252)		
(4,198)			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	(2,278)		
<b>(17,252)</b>			<b>Closing Combined General Fund Balance</b>	<b>(19,531)</b>		

OPCC

Net Expenditure Chargeable to the General Fund Balance	2018/19	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2019/20	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments	
£000	£000	£000	£000	£000	£000
0	0	0 Police Payroll	0	0	0
0	0	0 Police Overtime	0	0	0
812	0	812 Staff Payroll	824	159	983
17	0	17 Staff Overtime	22	0	22
0	0	0 Agency	0	0	0
1	0	1 Training	4	0	4
13	0	13 Other Payroll Costs	16	0	16
52	0	52 Premises	52	0	52
2,444	0	2,444 Supplies and Services	2,499	0	2,499
16	0	16 Transport	15	0	15
(8,879)	8,879	0 Depreciation	(11,191)	11,191	0
(1,367)	0	(1,367) Income	(1,369)	0	(1,369)
<b>(6,892)</b>	<b>8,879</b>	<b>1,988 Net Cost of Services</b>	<b>(9,128)</b>	<b>11350</b>	<b>2,222</b>
2,693	(2,427)	266 Other Income and Expenditure	6,850	(7,869)	(1019)
<b>(4,198)</b>	<b>6,452</b>	<b>2,254 Surplus or Deficit on Provision of Services</b>	<b>(2,278)</b>	<b>3,480</b>	<b>1,203</b>
(13,054)		Opening Combined General Fund Balance	(17,252)		
(4,198)		Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	(2,278)		
0		Transfers to/from other Reserves	0		
<b>(17,252)</b>		<b>Closing Combined General Fund Balance</b>	<b>(19,531)</b>		

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

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

<b>2019/2020</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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)	(91,829)			91,829
Council tax and NDR (transfers to or from the Collection Fund)	(252)			252
Holiday pay (transferred to the Accumulated Absences reserve)	(145)			145
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(11,177)		(1,345)	12,522
<b>Total Adjustments to Revenue Resources</b>	<b>(103,403)</b>	<b>0</b>	<b>(1,345)</b>	<b>104,748</b>
Adjustments between Revenue and Capital Resources				
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,337			(1,337)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,425			(5,425)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,762</b>	<b>0</b>	<b>0</b>	<b>(6,762)</b>
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		3,799		(3,799)
Application of capital grants to finance capital expenditure	-		1,345	(1,345)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>3,799</b>	<b>1,345</b>	<b>(5,144)</b>
Other adjustments	1,345	0	(1,630)	285
<b>Total Adjustments</b>	<b>(95,296)</b>	<b>3,799</b>	<b>(1,630)</b>	<b>93,127</b>

<b>2018/2019</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movement in Unusable Reserves £000</b>
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
Council tax and NDR (transfers to or from the Collection Fund)	(715)			715
Holiday pay (transferred to the Accumulated Absences reserve)	(306)			306
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(9,343)		(801)	10,144
<b>Total Adjustments to Revenue Resources</b>	<b>(151,449)</b>	<b>0</b>	<b>(801)</b>	<b>152,250</b>
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,022	(1,022)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	415			(415)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,487			(2,487)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,924</b>	<b>(1,022)</b>	<b>0</b>	<b>(2,902)</b>
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		5,832		(5,832)
Application of capital grants to finance capital expenditure			801	(801)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>5,832</b>	<b>801</b>	<b>(6,633)</b>
Other adjustments	(318)	0	285	33
<b>Total Adjustments</b>	<b>(147,843)</b>	<b>4,810</b>	<b>285</b>	<b>142,748</b>

## Note 7 - Transfers to/from Earmarked Reserves

The table below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

	Balance at 1 April 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Reserves:</b>							
Chief Constable Reserve	(571)	0	0	<b>(571)</b>	(500)	1,071	<b>0</b>
Estate Maintenance Reserve	(250)	0	202	<b>(48)</b>	0	48	<b>0</b>
Corporate Communications Local Reserve	(73)	0	0	<b>(73)</b>	73	0	<b>0</b>
Insurance Reserve - Legal	(361)	0	0	<b>(361)</b>	0	0	<b>(361)</b>
Insurance Reserve	(2,260)	(1,005)	338	<b>(2,927)</b>	(779)	688	<b>(3,018)</b>
Ill Health Reserve	(2,492)	(148)	922	<b>(1,718)</b>	0	80	<b>(1,638)</b>
PCC Operational Reserve	(500)	0	0	<b>(500)</b>	(500)	0	<b>(1,000)</b>
PCC Estate Strategy Reserve	(400)	(2,400)	0	<b>(2,800)</b>	0	0	<b>(2,800)</b>
Cost of Change Reserve	0	(1,443)	0	<b>(1,443)</b>	(121)	0	<b>(1,564)</b>
COVID19 Reserve	0	0	0	<b>0</b>	(1,000)	0	<b>(1,000)</b>
<b>Total General Fund</b>	<b>(6,907)</b>	<b>(4,996)</b>	<b>1,462</b>	<b>(10,441)</b>	<b>(2,827)</b>	<b>1,887</b>	<b>(11,381)</b>

The following table details the usable reserves and the purpose for which are held by Surrey Police:

Reserve	Level or Target
<b>General</b>	
<p><b>General Reserves</b></p> <p>Provides a working balance to cover day to day cash flow requirements and to cover exceptional unforeseen financial and operational risks. The target level for the reserve is reviewed as part of the annual budget setting process.</p> <p>This includes a separately identified Chief Constable Operational Reserve to provide access to funding for immediate operational policing demands without need for further approval from the PCC. Prior to 2019/20 this reserve was included within the earmarked reserves category.</p>	<p>3% of Net Revenue Expenditure Budget as at 31 March each year.</p>
<b>Contingency and Risk</b>	
<p><b>Police Officer Ill Health Pension Reserve</b></p> <p>This reserve provides for the self-funding of police officer ill health and injury payments not covered by the pension grant funding.</p> <p>This reserve is maintained to meet the capital charge made by</p>	<p>Assessed as part of the medium term financial planning process.</p>

	the Home Office for each officer that retires due to ill health. A percentage of the police officer cost as recommended by the Home Office is added to this reserve and the level will fluctuate from year to year depending on the number of police officer retirees.	
<b>Insurance Reserve</b>	<p>Provides for the self-funding of certain uninsurable risks, such as payments of compensation or damages, or below the excess level such as motor claims. This Reserve is funded from revenue or transfers from other reserves and is adjusted annually, following an independent actuarial review, to reflect up to date management information on inflation and risk.</p> <p>To improve consistency in funding claims, there is a need to split claims between a provision on the Balance Sheet for the cost of claims received and outstanding; and funds held in the reserve to cover claims incurred but not received or quantified. Claims that have been reported and assessed as more likely to be settled are carried as a financial provision whilst known incidents where no claim has yet been made, are covered by the insurance reserve. The revenue account makes a contribution to the reserve each year that in-year liabilities, as they arise, are charged against. The level of the reserve is reviewed annually.</p>	Assessed as part of the annual insurance actuarial review.
<b>Investment</b>		
<b>Capital Receipts Reserve</b>	This reserve holds the proceeds from the sale of assets, and can only be used for financing capital expenditure in accordance with regulations.	Receipts from the sale of assets are taken to this reserve.
<b>Capital Grants &amp; Contributions Unapplied Reserve</b>	This reserve holds unused elements of grant and other external funding to be spend in the following financial year in line with the conditions of the grant or external funding.	As determined by the closure of accounts process.
<b>Single Use</b>		
<b>PCC Operational Reserve</b>	This reserve was set up to facilitate transformational change that will deliver future savings and repay investment.	Assessed as part of the medium term financial planning process.
<b>PCC Estate Strategy Reserve</b>	This reserve was created to manage the transition costs involved in delivering the Estate Strategy which involves rationalising some of the current estate and building a new operational headquarters.	Assessed as part of the medium term financial planning process.
<b>PCC Cost of Change Reserve</b>	This reserve funds projects that enhance the policing in Surrey and/or deliver savings. In practice the proposal is that any under spend from the operational budget in excess of General Reserve requirements is transferred to this reserve at the year-end subject to PCC approval.	Assessed as part of the medium term financial planning process.
<b>Covid 19 Reserve</b>	This reserve was set up to facilitate additional cost pressures likely to arise in 2020/21 as a result of the Coronavirus pandemic.	Recommended by the closure of accounts process.

## Note 8 - Taxation and Non-Specific Grant Income

The group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
(118,447)	Council tax income	(130,572)
(118,454)	Non-ringfenced government grants	(120,558)
(801)	Capital grants and contributions	(1,345)
<b>(237,702)</b>	<b>Total</b>	<b>(252,476)</b>

## Note 9 - Grant Income

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
(2,461)	Council Tax Freeze Grant	(2,461)
(61,296)	Police Grants	(62,630)
(6,759)	Localisation Support Grant	(6,759)
(28,809)	National Non-Domestic Rates	(29,368)
(19,129)	Home Office Grant Payable to the cost of Retirement Benefits	(17,378)
0	Police Pensions Grant	(2,000)
<b>(119,255)</b>	<b>Total</b>	<b>(120,596)</b>

### Credited to Services

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
(906)	Counter Terrorism	(955)
(1,367)	Victim Support Grant	(1,775)
(238)	Other	(384)
0	Operation Uplift	(210)
<b>(2,511)</b>	<b>Total</b>	<b>(3,324)</b>

### Counter Terrorism

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

### Victim Support Grant

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

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

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

## Council Tax Freeze Grant

Government funding to compensate for reduced Council Tax Revenue.

### Note 10 - Capital Expenditure and Capital Financing

This table shows details of expenditure on capital items as defined within the Accounting Policies, together with the resources that have been used to finance it. Capital expenditure increases the asset worth of the Group, as shown in the Balance Sheet and associated Property, Plant and Equipment (Note 11).

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

#### Capital Expenditure and Capital Financing

31 March 2019		31 March 2020
£000		£000
7,670	Opening Capital Financing Requirement	28,245
	Capital Investment:	
29,634	Property Plant and Equipment	8,687
476	Intangible Assets	721
<b>30,110</b>	<b>Total Capital Spending</b>	<b>9,408</b>
	Sources of Finance:	
(5,832)	Capital receipts	(4,266)
(801)	Government Grants and other contributions	(1,435)
	Sums set aside from revenue:	
(2,487)	- Direct revenue contributions	(4,504)
(415)	- Minimum revenue provision	(1,337)
<b>(9,535)</b>	<b>Total Sources of Finance</b>	<b>(11,542)</b>
<b>28,245</b>	<b>Closing Capital Financing Requirement</b>	<b>26,112</b>

## Note 11 - Property, Plant and Equipment

Changes in Non-Current Assets are summarised below:

### Movements to 31 March 2020

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets Under Assets Construction		Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>at 1 April 2019</b>	79,224	42,919	27,868	5,961	<b>155,972</b>
Additions	0	2,937	0	6,365	<b>9,302</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,652	0	1,853	0	<b>6,505</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,438)	0	(1,400)	0	<b>(2,838)</b>
De-recognition – disposals	0	(1,721)	0	0	<b>(1,721)</b>
De-recognition – other	0	0	0	0	<b>0</b>
Reclassifications and transfer	5,877	0	(5,877)	0	<b>0</b>
Assets reclassified (to)/from Investment Properties	0	0	(1,355)	0	<b>(1,355)</b>
Assets reclassified (to)/from Held for Sale	(368)	0	(596)	0	<b>(964)</b>
<b>at 31 March 2020</b>	<b>87,947</b>	<b>44,135</b>	<b>20,493</b>	<b>12,326</b>	<b>164,901</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>at 1 April 2019</b>	(773)	(30,665)	(117)	0	<b>(31,555)</b>
Depreciation charge	(2,307)	(4,129)	(903)	0	<b>(7,339)</b>
Depreciation written out to the Revaluation Reserve	2,737	0	217	0	<b>2,954</b>
Depreciation written out to Revenue	0	0	757	0	<b>757</b>
De-recognition – disposals	0	1,549	0	0	<b>1,549</b>
Eliminated on transfer to AHFS	1	0	1	0	<b>2</b>
Eliminated on transfer to Surplus Assets	(13)	0	13	0	<b>0</b>
<b>at 31 March 2020</b>	<b>(355)</b>	<b>(33,245)</b>	<b>(32)</b>	<b>0</b>	<b>(33,632)</b>
<b>Net Book Value</b>					
<b>at 31 March 2020</b>	<b>87,592</b>	<b>10,890</b>	<b>20,461</b>	<b>12,326</b>	<b>131,269</b>
<b>at 31 March 2019</b>	<b>78,451</b>	<b>12,254</b>	<b>27,751</b>	<b>5,961</b>	<b>124,417</b>

## Movements to 31 March 2019

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets Under Assets Construction		Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>at 1 April 2018</b>	79,947	41,776	5,197	5,318	<b>132,238</b>
Additions	1,003	3,517	20,485	4,629	<b>29,634</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	166	0	318	0	<b>485</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	126	0	0	0	<b>126</b>
De-recognition – disposals	0	(3,788)	(11)	0	<b>(3,799)</b>
De-recognition – other	0	0	0	(95)	<b>(95)</b>
Reclassifications and transfer	(1,152)	1,414	1,878	(3,891)	<b>(1,751)</b>
Assets reclassified (to)/from Held for Sale	(866)	0	0	0	<b>(866)</b>
<b>at 31 March 2019</b>	<b>79,224</b>	<b>42,919</b>	<b>27,868</b>	<b>5,961</b>	<b>155,972</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>at 1 April 2018</b>	(2,111)	(29,800)	(357)	0	<b>(32,268)</b>
Depreciation charge	(2,933)	(4,361)	(260)	0	<b>(7,554)</b>
Depreciation written out to the Revaluation Reserve	4,304	0	467	0	<b>4,771</b>
De-recognition – disposals	0	3,496	0	0	<b>3,496</b>
Reclassifications and transfers	(33)	0	33	0	<b>0</b>
<b>at 31 March 2019</b>	<b>(773)</b>	<b>(30,665)</b>	<b>(117)</b>	<b>0</b>	<b>(31,555)</b>
<b>Net Book Value</b>					
<b>at 31 March 2019</b>	<b>78,451</b>	<b>12,254</b>	<b>27,751</b>	<b>5,961</b>	<b>124,417</b>
<b>at 31 March 2018</b>	<b>77,836</b>	<b>11,976</b>	<b>4,840</b>	<b>5,318</b>	<b>99,970</b>

## Depreciation

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

Buildings	25 years
Plant, Furniture & Equipment	5 years
Vehicles	5 years

## Effects of Changes in Estimates

Assets are depreciated over useful lives that are dependent on assumptions about the level of repair and maintenance that will be incurred in relation to individual assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £1.9m for every year that the useful lives had to be reduced.

## Land and Buildings

The entire Surrey Police estate was revalued for 2019/20 Statement of Accounts on 31st March 2020. Surrey Police carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years.

The valuations have been made in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuations - Professional Standards 2014 (Revised 2015) & RICS Valuation – Global Standards 2017 ('The Standards'), International Financial Reporting Standards (IFRS) and Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting ('The CIPFA Code'). The valuation was prepared by Guy Emmerson MRICS partner in Bruton Knowles who are an external organisation and have no ties to Surrey Police.

### Regularity of Revaluation

Surrey Police carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the current values of property are:

- Operational purpose-built Police Buildings with integral active Custody to be valued to Depreciated Replacement Cost and Market Value – This reflects the specialised nature of these assets and that they are not traded in the open market – and that we need to identify any significant variation from DRC to MV.
- Operational purpose-built Police Buildings with non-integral active Custody to be valued to Depreciated Replacement Cost for Custody elements and Existing Use Value for non-Custody elements. – The DRC element reflects the specialised nature of these Custody assets and that they are not traded in the open market. The EUV elements reflects the continuing operational use of the assets but that they are no longer so specialised that they could not be traded in the open market.
- Operational purpose-built Police Buildings with closed Custody to be valued to Existing Use Value – This reflects the continuing operational use of the assets but that they are no longer so specialised that they could not be traded in the open market.
- Operational non-purpose-built Police Buildings to be valued to Existing Use Value - This reflects the continuing operational use of the assets but that they are not so specialised that they could not be traded in the open market.
- Residential Police Buildings to be valued to Existing Use Value - This reflects the continuing operational use of the assets but that they are not so specialised that they could not be traded in the open market.
- Surplus buildings to be valued to Market Value - This reflects that the assets could be traded in the open market.

## Physical Assets Held

Physical assets excluding furniture and equipment owned by the PCC as at 31 March 2020 comprised:

	2018/19 No	2019/20 No
Operational Buildings*	16	16
Police Houses	42	40
Police Vehicles	842	859
Total	900	915

\* Operational Buildings comprise police stations and offices, including custody and control centres

## Note 12 - Intangible Assets

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

The amortisation of £1.8m (2018/19 £1.5m) was charged to the Comprehensive Income and Expenditure Statement in 2019/20.

31st March 2019			31st March 2020		
Other Assets	Intangible Assets Under Development	Total	Other Assets	Intangible Assets Under Development	Total
£000	£000	£000	£000	£000	£000
					Balance at start of year:
5,168	0	5,168			Gross carrying amounts
(2,399)	0	(2,399)	4,303	1,928	6,231
					Accumulated amortisation
			(2,687)	0	(2,687)
					Net carrying amount at start of year
2,769	0	2,769	1,616	1928	3,544
					Additions:
158	318	476			Purchases
(1,164)	0	(1,164)	616	105	721
141	1,610	1,751			Other disposals
(1,452)	0	(1,452)		(616)	0
					Reclassifications and transfers
					Amortisation for the period
1,164	0	1,164	(1,776)		(1,776)
					Amortisation written off on disposal
					0
					Net carrying amount at end of year
1,616	1,928	3,544	456	1,417	(1,671)
					Comprising:
4,303	1,928	6,231			Gross carrying amounts
(2,687)	0	(2,687)	4,919	1,417	6,336
					Accumulated amortisation
			(4,463)	0	(4,463)
<b>1,616</b>	<b>1,928</b>	<b>3,544</b>	<b>456</b>	<b>1,417</b>	<b>1,873</b>

## Note 13 - Debtors

Debts outstanding at 31 March 2020 can be analysed as follows:

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
717	Trade Receivables	751
6,718	Prepayments	7,213
13,841	Other Receivable Amounts	16,065
<b>21,276</b>	<b>Total</b>	<b>24,029</b>

<b>Debtors by Category</b>	<b>Category</b>	<b>2018/19 £000's</b>	<b>2019/20 £000's</b>
Other Receivable Amounts	Collaboration	2,220	889
	Council Tax Debtor	2,317	2,152
	Forfeiture Monies	413	-
	Insurance/Legal/Pr	17	-
	Other	623	987
	Partnership Monies	639	428
	Payroll/Pension	5,962	8,293
	Secondments	447	780
	VAT	1,203	2,536
<b>Other Receivable Amounts Total</b>		<b>13,841</b>	<b>16,065</b>
Prepayment	Estates	1,267	2,081
	Insurance/Legal/Pr	948	937
	Other	1,163	732
	Payroll/Pension	3,340	3,463
<b>Prepayment Total</b>		<b>6,718</b>	<b>7,213</b>

## Note 14 - Cash and Cash Equivalents

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

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
742	Cash and Bank balances	(5,023)
13,734	Short Term Investments	17,431
<b>14,476</b>	<b>Total Cash and Cash Equivalents</b>	<b>12,408</b>

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



<b>Creditors - Other Payables by Category</b>	<b>2018/19 £000's</b>	<b>2019/20 £000's</b>
Capital	409	850
Collaboration	1,251	7,197
Council Tax Creditors	1,996	2,083
Estates	1,038	630
Forfeiture Monies	1,801	860
Insurance/Legal/Property	739	-
Other	2,711	4,902
Partnership Monies	5,561	4,278
Payroll/Pension	4,516	1,515
Tax	3,898	3,955
<b>Total</b>	<b>23,920</b>	<b>26,270</b>

## Note 18 - Provisions

Provisions held at 31 March 2020 are as follows:

### Current Provisions

<b>2019/20</b>	<b>Restructuring Provision</b>	<b>Insurance Provision</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening Balance	(109)	(720)	(829)
Increase in provision during year	0	(277)	(277)
<b>Closing Balance</b>	<b>(109)</b>	<b>(997)</b>	<b>(1,106)</b>

<b>2018/19</b>	<b>Restructuring Provision</b>	<b>Insurance Provision</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening Balance	(606)	(946)	(1,552)
Utilised during year	496	226	723
<b>Closing Balance</b>	<b>(109)</b>	<b>(720)</b>	<b>(829)</b>

### Restructuring Provision

The restructuring provision has been created for restructuring costs in accordance with Strategic Change Programmes that had formal plans or supporting business cases as at the 31 March 2020. These change programmes are either in the process of being implemented or will be implemented during 2020/21. This provision is held in the Chief Constable's balance sheet and is shown here as part of the Group position.

### Insurance Provision

The insurance provision is to cover the anticipated costs of reported claims as per the actuarial report produced by Marsh & McLennan. This provision is held in the PCC's balance sheet and is shown here as part of the Group position.

## Note 19 - Usable Reserves

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

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
(6,812)	General Fund Balance	(7,079)
	Transfer of Chief Constable Reserve to General Fund Balance	(1,071)
<b>(6,812)</b>	<b>Total Revised General Fund Balance</b>	<b>(8,150)</b>
<b>(10,441)</b>	<b>Earmarked General Fund Balance</b>	<b>(11,381)</b>
(3,996)	Capital Receipts Reserve	(197)
(1,317)	Capital Grants Unapplied	(2,946)
<b>(22,566)</b>	<b>Total</b>	<b>(22,674)</b>

### Capital Receipts Reserve

<b>31 March</b>		<b>31 March</b>
<b>2019</b>		<b>2020</b>
<b>£000</b>		<b>£000</b>
(8,806)	Balance 1 April	(3,996)
(1,022)	Capital Receipts in year	(467)
5,832	Capital Receipts used for financing	4,266
<b>(3,996)</b>	<b>Balance 31 March</b>	<b>(197)</b>

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

### Capital Grants Unapplied

<b>31 March</b>		<b>31 March</b>
<b>2019</b>		<b>2020</b>
<b>£000</b>		<b>£000</b>
(1,602)	Balance 1 April	(1,317)
(801)	Capital grants recognised in year	(644)
801	Capital grants and contributions applied	644
285	Other movements	(1,629)
<b>(1,317)</b>	<b>Balance 31 March</b>	<b>(2,946)</b>

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

## Note 20 - Unusable Reserves

31 March 2019			31 March 2020	
PCC £000	Group £000		PCC £000	Group £000
(36,881)	(36,881)	Revaluation Reserve	(45,006)	(45,006)
(63,700)	(63,700)	Capital Adjustment Account	(64,133)	(64,133)
0	2,156,960	Pension Reserve	0	2,057,250
(321)	(321)	Collection Fund Adjustment Account	(69)	(69)
0	908	Accumulated Absences Account	0	1,053
<b>(100,902)</b>	<b>2,056,936</b>		<b>(100,208)</b>	<b>1,949,095</b>

### Revaluation Reserve

31 March 2019 £000		31 March 2020 £000
(33,481)	<b>Balance 1 April</b>	(36,881)
(5,985)	Upward revaluation of assets	(10,053)
729	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	712
<b>(5,256)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(9,341)</b>
1,481	Difference between fair value depreciation and historical cost depreciation	1,216
364	Accumulated gains on assets sold or scrapped	0
<b>1,845</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>1,216</b>
11	Other movements	0
<b>(36,881)</b>	<b>Balance 31 March</b>	<b>(45,006)</b>

The Revaluation Reserve contains the gains made by the Police and Crime Commissioner arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account

This reserve records the accumulated gains on non-current assets held by the Group and equity loans to police officers to assist in the purchase of their properties.

### Capital Adjustment Account

31 March 2019		31 March 2020
£000		£000
(62,486)	<b>Balance 1 April</b>	(63,700)
7,554	Charges for depreciation and impairment of non-current assets	7,334
(126)	Revaluation losses on non-current assets	2,081
1,452	Amortisation of intangible assets	1,776
1,264	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	164
10,144	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	11,355
(1,845)	Adjusting Amounts written out of the Revaluation Reserve	(1,216)
8,299	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	10,139
(5,832)	Use of Capital Receipts Reserve to finance new capital expenditure	(4,266)
(801)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(637)
(415)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(845)
(2,487)	Capital expenditure charged against the General Fund and HRA balances	(4,504)
(9,535)	<b>Capital financing applied in year:</b>	(10,252)
22	Other movements	(320)
<b>(63,700)</b>	<b>Balance 31 March</b>	<b>(64,133)</b>

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

## Pension Reserve

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
1,928,225	Balance 1 April	2,156,930
87,620	Re-measurements of the net defined benefit (liability)/asset	(191,509)
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	151,716
(57,346)	Employer's pensions contributions and direct payments to pensioners payable in the year	(59,887)
<b>2,156,930</b>	<b>Balance 31 March</b>	<b>2,057,250</b>

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

The Pensions Reserve reflects the timing differences 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]. The group accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, 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 Group maker employer contributions to pension funds, or eventual payment of any pensions for which it is directly responsible.

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

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 arrangements will ensure that funding will have been set aside by the time the benefits come to be paid

Actuarial gains and losses are also recognised as movements on reserve above.

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:

<b>LGPS reallocation between Chief Constable and PCC</b>	<b>PCC £000</b>	<b>CC £000</b>	<b>GROUP £000</b>
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
<b>Total shown in Other CIES</b>	<b>(1,262)</b>	<b>192,771</b>	<b>191,509</b>

### **Collection Fund Adjustment Account**

<b>31 March 2019 £000</b>		<b>31 March 2020 £000</b>
(1,036)	Balance 1 April	(321)
715	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	252
<b>(321)</b>	<b>Balance 31 March</b>	<b>(69)</b>

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

### **Accumulated Absences Account**

<b>31 March 2019 £000</b>		<b>31 March 2020 £000</b>
602	<b>Balance 1 April</b>	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
<b>908</b>	<b>Balance 31 March</b>	<b>1,053</b>

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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

## Note 21 - 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.

<b>Surrey Share 2018-19 £m</b>	<b>Collaboration Area</b>	<b>Surrey Share 2019-20 £m</b>
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
<b>41.9</b>	<b>Total</b>	<b>49.1</b>

## Note 22 - Lease

As at the 31 March 2020 the Group had the following future obligations in respect of operating leases:

### Vehicles, Plant, Furniture and Equipment

The Group entered into no new operating leases for this category during 2019/20, the lease for printers/photocopiers was renewed in 2019/20. Payments due in 2019/20 total £0.1m (2018/19 £0.1m).

### Land and Buildings

The Group terminated one, entered into one and renegotiated three operating lease during 2018/19. For these and existing arrangements held under operating leases during 2019/20 rental payments were £1.2m (2018/19 £1.0m).

### Commitments Under Operating Leases

The Group was committed at 31 March 2020 to making payments of £1.3m under operating leases in 2019/20 comprising the following elements:

#### Authority as Lessee - Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

<b>31 March 2019 £000</b>		<b>31 March 2020 £000</b>
1,164	Not later than one year	1,302
4,325	Later than one year and not later than five years	4,802
7,744	Later than five years	7,305
<b>13,233</b>	<b>Total</b>	<b>13,409</b>

## Note 23 - Service Concession Arrangements

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

## Note 24 - 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 25 - Officers' Remuneration

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

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

Remuneration for Senior Officers with a salary between £50,000 and £150,000 with responsibility for the management of Surrey Police were:								
Position	Position Start Date	Position End Date	2018/2019	2019/2020				Total Remuneration
			Total Remuneration	Salary, Fees & Allowances	Employers Pension Contribution	Benefit in kind. Private Use of Vehicle	Compensation for Loss of Office'	
			£	£	£	£	£	£
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
PCC	12/05/2016		86,756	78,288	10,353			88,641
PCC Temporary Chief Executive	01/04/2019	31/03/2020		90,404	12,255			102,659
PCC Chief Executive	27/09/2010		97,835	34,499	11,820			46,319
PCC Treasurer	09/05/2005	31/03/2020	67,280	66,208	17,135			83,343
GROUP TOTAL			2,070,573	1,730,265	390,642	-	93,538	2,214,445

## Officer Remuneration

	Number of Employees	
	2018/19	2019/20
£50,001 to £55,000	257	269
£55,001 to £60,000	128	130
£60,001 to £65,000	57	79
£65,001 to £70,000	10	22
£70,001 to £75,000	11	15
£75,001 to £80,000	9	7
£80,001 to £85,000	6	7
£95,001 to £90,000	11	4
£90,001 to £95,000	5	5
£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	1	0
£145,001 to £150,000	0	0
£150,001 to £155,000	0	1
<b>Total</b>	<b>500</b>	<b>549</b>

## Exit Packages

Exit package cost band (including special payments)	Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	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
£150000- £200000		2		345,656
<b>Total</b>	<b>30</b>	<b>11</b>	<b>838,927</b>	<b>502,167</b>

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

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

## Note 26 - Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments that need to be disclosed

at the time that employees earn their future entitlement. These commitments are included in the Chief Constable's Accounts and consolidated into the Group Accounts.

The Group participates in separate pension schemes for police staff and police officers:

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

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. In accordance with IAS 19 requirements, the amount includes current and past service costs, curtailments and settlements, together with the gains/losses on the police injury pension. The current service cost and valuation of the Schemes as at 31 March 2019 have been produced by actuaries. The following transactions reflect the total charges in the Chief Constable's Comprehensive Income and Expenditure Statement. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments for those benefits and to disclose them at the time the employee earns them.

### **McCloud / Sargeant judgement**

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

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 Group for both police and staff pension schemes.

LGPS £000	2018/19			2019/20			Total £000
	Police Officers £000	Total £000		PCC LGPS £000	CC LGPS £000	Police Officers £000	
			Service cost comprising:				
18,499	45,260	63,759	Current service cost	207	20,410	71,370	91,987
1,425	83,790	85,215	Past service cost	0	0	(6,500)	(6,500)
			Financing and Investment Income and Expenditure				
3,377	46,080	49,457	Net interest expense	35	4,154	49,040	53,229
<b>23,301</b>	<b>175,130</b>	<b>198,431</b>	<b>Total charged to Surplus and Deficit on Provision of Services</b>	<b>242</b>	<b>24,564</b>	<b>113,910</b>	<b>138,716</b>

#### Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

£000	£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)	387	41,563	0	41,950
20	(6,230)	(6,210)	Actuarial gains and losses - experience	(20)	(26,633)	(32,620)	(59,273)
0	0	0	Actuarial gains and losses arising on changes in demographic assumptions	(519)	(54,522)	(61,110)	(116,151)
44,300	58,760	103,060	Actuarial gains and losses - experience	0	(11,095)	(46,940)	(58,035)
<b>35,090</b>	<b>52,530</b>	<b>87,620</b>	<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>(152)</b>	<b>(50,687)</b>	<b>(140,670)</b>	<b>(191,509)</b>
<b>58,391</b>	<b>227,660</b>	<b>286,051</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>90</b>	<b>(26,123)</b>	<b>(26,760)</b>	<b>(52,793)</b>

### Movement in Reserves Statement

<b>LGPS £000</b>	<b>Police Officers £000</b>	<b>Total £000</b>		<b>PCC LGPS £000</b>	<b>CC LGPS £000</b>	<b>Police Officers £000</b>	<b>Total £000</b>
(23,301)	(175,130)	(198,431)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(242)	(24,564)	(113,910)	(138,716)
9,606	47,740	57,346	Actual amount charged against the general fund balance for pensions in the year	83	9,724	50,080	59,887
<b>(13,695)</b>	<b>(127,390)</b>	<b>(141,085)</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>(159)</b>	<b>(14,840)</b>	<b>(63,830)</b>	<b>(78,829)</b>

<b>2018/19</b>			<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	<b>2019/20</b>			
<b>LGPS £000</b>	<b>Police Officers £000</b>	<b>Total £000</b>		<b>PCC LGPS £000</b>	<b>CC LGPS £000</b>	<b>Police Officers £000</b>	<b>Total £000</b>
(472,985)	(1,988,120)	(2,461,105)	Present value of the defined obligation	(3,990)	(404,126)	(1,924,280)	(2,332,396)
304,175	0	304,175	Fair value of plan assets	2,569	272,577	0	275,146
(168,810)	(1,988,120)	(2,156,930)	Value of Assets / (Liabilities)	(1,421)	(131,549)	(1,924,280)	(2,057,250)
<b>(168,810)</b>	<b>(1,988,120)</b>	<b>(2,156,930)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(1,421)</b>	<b>(131,549)</b>	<b>(1,924,280)</b>	<b>(2,057,250)</b>

LGPS	2018/19		Movement in the Value of Scheme Assets	2019/20			
	Police Officers	Total		PCC LGPS	CC LGPS	Police Officers	Total
	£000	£000		£000	£000	£000	£000
280,333	0	280,333	Opening fair value of scheme assets	2,867	301,308	0	304,175
7,657	0	7,657	Interest Income	69	7,312	0	7,381
9,230	0	9,230	Re-measurement gain / (loss): - The return on plan assets, excluding The amount included in The net interest expense	(387)	(41,563)	0	(41,950)
9,606	47,740	57,346	Employer Contributions	83	9,724	50,080	59,887
3,094	9,010	12,104	Employee Contributions	47	3,172	9,050	12,269
0	350	350	Transfers in	0	0	460	460
(5,745)	(57,100)	(62,845)	Benefits / transfers paid	(110)	(7,376)	(59,590)	(67,076)
<b>304,175</b>	<b>0</b>	<b>304,175</b>	<b>Net (liability) / asset arising from the obligation</b>	<b>2,569</b>	<b>272,577</b>	<b>0</b>	<b>275,146</b>

LGPS	2018/19		Movement in the Fair Value of Scheme Liabilities	2019/20			
	Police Officers	Total		PCC LGPS	CC LGPS	Police Officers	Total
	£000	£000		£000	£000	£000	£000
(400,358)	(1,808,200)	(2,208,558)	Opening balance at 1 April	(4,281)	(468,704)	(1,988,120)	(2,461,105)
(18,499)	(45,610)	(64,109)	Current service cost	(207)	(20,410)	(71,370)	(91,987)
(11,034)	(46,080)	(57,114)	Interest cost	(104)	(11,466)	(49,040)	(60,610)
(3,094)	(9,010)	(12,104)	Contributions from scheme participants	(47)	(3,172)	(9,050)	(12,269)
(20)	6,230	6,210	Re-measurement gains / (losses): - Actuarial gains / (losses) - experience	20	26,633	32,620	59,273
0	0	0	Actuarial gains / (losses) from changes in demographic assumptions	519	54,522	61,110	116,151
(44,300)	(58,760)	(103,060)	- Actuarial gains / (losses) from changes in financial assumptions	0	11,095	46,940	58,035
(1,425)	(83,790)	(85,215)	Past service cost	0	0	(6,500)	(6,500)
5,745	57,100	62,845	Benefits / transfers paid	110	7,376	59,130	66,616
<b>(472,985)</b>	<b>(1,988,120)</b>	<b>(2,461,105)</b>	<b>Net (liability) / asset arising from the obligation</b>	<b>(3,990)</b>	<b>(404,126)</b>	<b>(1,924,280)</b>	<b>(2,332,396)</b>

The significant assumptions used by the actuary have been:

<b>2018/19</b>	<b>LGPS</b>	<b>2019/20</b>	
Long term expected rate of return on assets		<b>PCC</b>	<b>CC</b>
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:

<b>Increase by 1%</b>	<b>LGPS</b>	<b>Decrease by 1%</b>	
<b>£000</b>	<b>Assumption</b>	<b>PCC</b>	<b>CC</b>
		<b>£000</b>	<b>£000</b>
0	Longevity		
0	Rate of inflation		
0	Rate of increase in salaries		
0	Rate of increase in pensions		
(124,782)	Rate for discounting scheme liabilities		

The significant assumptions used by the actuary have been:

<b>2018/19</b>	<b>Police Officers</b>	<b>2019/20</b>
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:

<b>Increase by 1%</b>	<b>Police Officers</b>	<b>Decrease by 1%</b>
<b>£000</b>	<b>Assumption</b>	<b>£000</b>
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)

We recognise the cost of retirement benefits 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 we are required to make 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 transactions in the preceding table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

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.

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.

## Note 27 - External Audit Costs

<b>2018/19</b>		<b>2018/19</b>		
<b>Group</b>		<b>CC</b>	<b>PCC</b>	<b>Group</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
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	11.6	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
<b>59.1</b>	<b>Total</b>	<b>11.6</b>	<b>22.4</b>	<b>33.9</b>

## Note 28 - Related Parties

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

### **Officers of the Police and Crime Commissioner for Surrey and Chief Constable of Surrey**

Officers of the Police and Crime Commissioner have direct control over financial and operating policies.

Details of all related party transactions are recorded in the Register of Members' Interest. Officers and Chief Officers of the Force and the Police and Crime Commissioner are required to declare whether they or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the Police and Crime Commissioner for Surrey and or the Chief Constable's Force during the financial year.

The Chief Executive has written to all Officers and Chief Officers of the Force and the Police and Crime Commissioner to collect this information. Responses were received from all recipients of the letter and related party transactions are disclosed for the 2018/19 year in respect of Legal services and the Police and Crime Commissioner.

Legal services are provided to the Surrey Police Group of circa £0.8m (2017/18: £1.2m) by Weightmans LLP Solicitor in the normal course of business during the year, Ms Hannah Walsh (Solicitor to the Surrey Police from 1 April 2017) is employed by Weightmans LLP.

### **Central Government and Other Public Organisations**

The Police and Crime Commissioner also has business relationships with the Government and a number of other public organisations such as some local authorities in Surrey.

These include the Home Office, the Department for Communities and Local Government, and Surrey County Council.

Central Government has effective control over the general operations of the Police and Crime Commissioner for Surrey as it is responsible for providing the statutory framework within which the Police and Crime Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Police and Crime Commissioner has with other parties (e.g. Precept regimes).

Details of grants received from government departments are set out in the subjective analysis Grant Income Note 9. Details of Joint working arrangements are included in the Collaboration Arrangements Note 20.

### **Note 29 - 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 Police and Crime Commissioner and Chief Constable of Surrey Group had the following contingent liability issues:

- **Police Regulations On-call Payments**

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

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

Whilst the outcome of the legal case is not in doubt, the timings and amount of any payments due to the claimants are yet to be ascertained. Work remains ongoing by all forces to identify all claims and the quantum of each payment that is due. For these reasons no provision has been made in the 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 30 - Contingent Assets

The Group has no contingent assets to disclose at 31 March 2020.

## Note 31 - Financial Instruments

### Non-Current Financial Assets

	Debtor		Total	
	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000
Amortised Cost	864	586	864	586
Total financial assets	864	586	864	586
Non - financial Assets	127,962	133,537	127,962	133,537
Total non-current financial assets	128,826	134,123	128,826	134,123

### Current Financial Assets

	Debtor		Cash		Total	
	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000
Amortised Cost	809	830	14,477	12,408	15,286	13,238
Total financial assets	809	830	14,477	12,408	15,286	13,238
Non - financial Assets	20,935	26,044	-	-	20,935	26,044
Total current assets	21,744	26,874	14,477	12,408	36,220	39,282

### Non-Current Financial Liabilities

	Borrowing		Total	
	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000
Amortised Cost	(15,635)	(15,114)	(15,635)	(15,114)
Total financial assets	(15,635)	(15,114)	(15,635)	(15,114)
Non - Financial Liabilities	(2,156,930)	(2,057,250)	(2,156,930)	(2,057,250)
Total non-current liabilities	(2,172,565)	(2,072,364)	(2,172,565)	(2,072,364)

The loan from the PWLB Board was borrowed for capital purposes in line with the CIPFA Prudential Code for Capital Finance. The year-end balance represents totals for long term finance borrowing and loans.

- For the loan from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- Estimated interest rates at 31 March 2020 for loans from the PWLB are based on a loan rate of 2.34% discounted at a rate of 0.49%.
- No early repayment or impairment is recognised.

The fair value of the PWLB loan is calculated at £19.0m as at 31 March 2020.

The fair values of short term trade payables and receivables, cash and cash equivalents are assumed to equal the book values. These are exempt from IFRS13.

The fair value of the PWLB loan is higher than the carrying amount because the fixed rate loan's interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Assets and Liabilities are measured at fair value using the IFRS13 Fair Value market approach which uses prices and other relevant information (inputs) generated by market transactions involving similar assets or liabilities. The IFRS on Fair Value includes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three input levels as follows:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

We have therefore categorised the valuations of the long term PWLB borrowing as a Level 1 input in the IFRS 13 fair value hierarchy.

	<b>Current Financial Liabilities</b>			
	<b>Creditors</b>		<b>Total</b>	
	<b>31-Mar-19</b>	<b>31-Mar-20</b>	<b>31-Mar-19</b>	<b>31-Mar-20</b>
	£000	£000	£000	£000
Fair Value through profit & loss	(21)	0	(21)	0
Amortised Cost	(2,101)	(136)	(2,101)	(136)
Total financial assets	(2,122)	(136)	(2,122)	(136)
Non - Financial Liabilities	(24,729)	(27,325)	(24,729)	(27,325)
Total non-current financial liabilities	(26,851)	(27,461)	(26,851)	(27,461)

## Note 32 - Nature and Extent of Risks Arising from Financial Instruments

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

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Group
- Liquidity Risk – the risk that the Group might not have funds available to meet its commitment to make payments

- Market Risk/Interest Rate Risk – the possibility that financial loss might arise for the Group as a result of changes in such measures as interest rates and stock market movements.
- Market Failure Risk – the risk that financial loss might arise as a result of a failure in financial markets.

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

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

### **Credit and Counterparty Risk**

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

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

The maximum exposure to credit risk at the Balance Sheet date was as follows: trade receivables £0.8m (2018/19 £0.8m), and cash and temporary loan investments £12.4m (2017/18 £14.5m). The Group does not have any material exposure to concentrations of credit risk with any single counterparty.

### **Liquidity Risk**

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

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

The Group has had sufficient available cash balances to meet its daily requirements. In March 2019 The PCC entered into an external Loan with PWLB for £15.6m in order to purchase land for Building the Future.

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

### **Interest Rate Risk**

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

Since the Group investment activity is undertaken by Surrey County Council, fixed and variable rate exposure limits are set so as not to conflict with that Council's prevailing limits. In order

to achieve this, both fixed and variable rate upper and lower exposure limits have been set at 100% and 0% respectively.

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

As at 31 March 2020, the Group has borrowing of £15.1m (2018/19 £15.6.0m) and hold £12.4m in variable rate loan investments (2018/19 £13.7m).

## Note 33 - Financing and Investment Income and Expenditure

2018/19			2019/20	
OPCC £000	Group £000		OPCC £000	Group £000
70	70	Interest payable and similar charges	293	293
0	49,457	Net interest on the net defined benefit liability (asset)	35	53,229
(213)	(213)	Interest receivable and similar income	(206)	(206)
<b>(143)</b>	<b>49,314</b>	<b>Total</b>	<b>122</b>	<b>53,316</b>

## Note 34 - Other Operating Expenditure

2018/19			2019/20	
OPCC £000	Group £000		OPCC £000	Group £000
0	455	Levies	0	522
243	243	Gains/losses on the Disposal of Non-Current Assets	(14)	(14)
33	33	Other	0	0
<b>276</b>	<b>731</b>	<b>Total Other Operating Expenditure</b>	<b>(14)</b>	<b>508</b>

## Note 35 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2019			31 March 2020	
OPCC £000	Group £000		OPCC £000	Group £000
(213)	(213)	Interest received	(206)	(206)
70	70	Interest paid	293	293
<b>(142)</b>	<b>(142)</b>	<b>Total</b>	<b>87</b>	<b>87</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2019			31 March 2020		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
(7,554)	(7,554)	Depreciation	(14,677)	(14,677)	
126	126	Impairment and downward valuations	(4,162)	(4,162)	
(1,452)	(1,452)	Amortisation	(3,552)	(3,552)	
(2,855)	(3,161)	(Increase)/decrease in creditors	(239)	(385)	
539	43	Increase/(decrease) in debtors	2,585	2,585	
114	115	Increase/(decrease) in inventories	972	1,439	
0	(141,085)	Movement in pension liability	(159)	(78,829)	
(1,264)	(1,264)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(343)	(343)	
941	1,437	Other non-cash movements charged to the surplus or deficit on provision of services	(997)	(1,826)	
<b>(11,404)</b>	<b>(152,795)</b>	<b>Total</b>	<b>(20,572)</b>	<b>(99,749)</b>	

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2019			31 March 2020		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
1,022	1,022	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	0	
801	801	Any other items for which the cash effects are investing or financing cash flows	1,345	1,345	
<b>1,823</b>	<b>1,823</b>	<b>Total</b>	<b>1,345</b>	<b>1,345</b>	

## Note 36 - Cash Flow from Investing Activities

31 March 2019			31 March 2020		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
30,110	30,110	Purchase of property, plant and equipment, investment property and intangible assets	18,815	18,815	
(1,022)	(1,022)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	0	
(801)	(801)	Other receipts from investing activities	(644)	(644)	
<b>28,287</b>	<b>28,287</b>	<b>Net cash flows from investing activities</b>	<b>18,171</b>	<b>18,171</b>	

## Note 37 - Cash Flow from Financing Activities

31 March 2019			31 March 2020	
OPCC	Group		OPCC	Group
£000	£000		£000	£000
(15,635)	(15,635)	Cash receipts of short-term and long-term borrowing	0	0
(715)	(715)	Other receipts from financing activities	0	0
<b>(16,350)</b>	<b>(16,350)</b>	<b>Net cash flows from financing activities</b>	<b>0</b>	<b>0</b>

## Note 38 - Reconciliation of Liabilities Arising from Financing Activities

### Reconciliation of Liabilities Arising from Financing Activities

	Non-cash changes				
	1 April 2019	Financing cash flows	Acquisition	Other non-cash changes	31 March 2020
	£000	£000	£000	£000	£000
Long-term borrowings	(15,635)	0	0	0	(2,072,364)
Short-term borrowings	0	0	0	0	0
Lease liabilities	0	0	0	0	0
On balance sheet PFI liabilities	0	0	0	0	0
<b>Total liabilities from financing activities</b>	<b>(15,635)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0 (2,072,364)</b>

	Non-cash changes				
	1 April 2018	Financing cash flows	Acquisition	Other non-cash changes	31 March 2019
	£000	£000	£000	£000	£000
Long-term borrowings	0	0	0	0	0
Short-term borrowings	0	0	0	0	(15,635)
Lease liabilities	0	0	0	0	0
On balance sheet PFI liabilities	0	0	0	0	0
<b>Total liabilities from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 39 - Accounting Policies

### General Principles

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and reviewed 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.

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

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

### Fundamental Accounting Policies

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

- **Accruals** – the accrual basis of accounting establishes that the non-cash effects of transactions are reflected in the accounting period in which those effects occur, even if the resulting cash receipts and payments occur in a different period.
- **Going Concern** – the Accounts have been prepared on the assumption that the functions of the Group will continue in operational existence for the foreseeable future. This means in particular that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operation.
- **Understandable** – to ensure that the Statements 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 Group's financial position, performance and cash flow is useful for assessing stewardship of public funds and for making economic decisions.
- **Materiality** – provides a threshold or cut-off point to ensure that the information included in the Financial Statements is of such significance as to justify its inclusion. Omissions or

misstatements of items are material if they could, individually or collectively, influence users decisions or assessment of the Financial Statements.

- **Reliability** – to ensure that the financial information provided accurately reflects the substance of the transactions and other events that have taken place.
- **Comparability** – the information contained in the Financial Statements has been prepared so that it can be readily compared with similar information about the same entity for different accounting periods and with similar information about other entities.
- **Primacy of Legislative Requirements** – the PCC derives powers from statute and the financial and accounting framework is closely controlled by primary and secondary legislation. Where specific legislative requirements and accounting principles conflict, the legislative requirement is applied. However, the Code deals with such conflicts by showing the position required by the Code's accounting requirements in the Comprehensive Income and Expenditure Statement, and the effect of the legislative requirements in the Movement in Reserves Statement.

The following sections set out the Group's principal accounting policies that have been reviewed and adopted in 2018/19.

### **Income & 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.

### **Cash & Cash Equivalents**

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. All investments due in 1 day or less are therefore treated as "cash and cash equivalents", and are not therefore included within Investments.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one day or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Investments held by Surrey County Council on behalf of the Group are classified as cash equivalents as they are low risk, short term and readily available.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

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

Prior period adjustments may 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 Police and Crime Commissioner's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) 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.

## **Government Grants and Contributions**

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

Net expenditure is expressed before deducting government grants in support of the overall expenditure of the Group, e.g. specific police grants, revenue support grants and national non domestic rates. Other smaller revenue grants are shown as income in arriving at net expenditure, and can be matched against specific items of expenditure.

Amounts recognised as due to the PCC are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution, are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

## **Funding of Capital Expenditure to purchase Non-Current Assets**

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

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

- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital reserves to finance expenditure.
- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred, the grant or contribution is transferred to the Capital Grants Unapplied Account, reflecting its status as a capital resource available to finance expenditure. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.
- When a capital grant or contribution has been received with conditions that the Group has not met, the grant or contribution is recognised in the Balance Sheet as Capital Grants Receipts in Advance. Once the condition has been met, the grant or contribution is

transferred from the Capital Grants Receipts in Advance Account and recognised as income in the Comprehensive Income and Expenditure Statement and accounted for as above depending on whether expenditure has been incurred.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

At the year end the Police and Crime Commissioner reviews all material grants and considers whether any existing conditions are outstanding, and the appropriate accounting policy treatment is then applied accordingly.

## **Non-Current Assets – Property, Plant and Equipment**

Assets that have physical substance, are used to supply services and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

The cost of acquisition, creation or enhancement of Property, Plant and Equipment is capitalised, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Police and Crime Commissioner for a period of more than one year, and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

When a component is replaced, restored or enhanced, the carrying amount of the old component is de-recognised, and the new component reflected in the carrying amount. The general de minimis capitalisation limit is £10,000 for all relevant expenditure. There is no de minimis limit for the purchase of land and buildings, or fleet vehicles.

### **Measurement**

Items of Property, Plant and Equipment are initially measured at cost, comprising all expenditure that is directly attributable to bringing the assets into working condition for their intended use.

The Police and Crime Commissioner does not capitalise its borrowing costs.

The Code stipulates that assets and liabilities should be measured and disclosures provided in accordance with IFRS 13 *Fair Value Measurement*. There are no adaptations to IFRS 13 for the public sector context. However, section 4 of the Code adapts IAS 16 to require that items of property, plant and equipment that are operational and therefore providing service potential for the authority are measured for their service potential at existing use value or depreciated replacement cost, and not fair value. Surplus assets of property, plant and equipment are measured at fair value.

Property, plant and equipment assets are therefore measured at current value as follows:

- Assets under construction - depreciated historical cost
- Land and Buildings - current value, determined using the following bases:
  - Operational properties – Existing Use Value (EUV) in accordance with RICS valuation standards

- Operational specialised properties such as police custody centres – Depreciated Replacement Cost (DRC)
- Non-operational properties such as police houses – Fair Value (based on Market Value)
- All other assets – (EUV)

Depreciated Replacement Cost (DRC) is used for assets where there is no market-based evidence of current value and/or the asset is specialised.

Non-property assets that have short useful lives or low values (or both) are valued using the depreciated historical cost basis (DHC) as a proxy for current value. This is on the assumption that the useful life is a realistic reflection of the life of the asset and the depreciation method used is a realistic reflection of the consumption of that asset class.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Increases in valuations are recognised in the Revaluation Reserve to recognise unrealised gains unless the increase is reversing a previous impairment loss in which case it would be charged to the Comprehensive Income and Expenditure Statement. Decreases in valuations are recognised in the Revaluation Reserve to the extent of previous revaluation increases recognised in the Revaluation Reserve in respect of that asset, and decreases in excess of that amount are recognised in the Comprehensive Income and Expenditure Statement.

### **Component Assets**

The Police and Crime Commissioner recognises and records component assets separately from the main asset with which they are associated where the component life differs significantly. The Police and Crime Commissioner has agreed an accounting policy stating that for accounting purposes, the value of the component must be above a minimum material level of £200,000 and the value of the component constitutes more than 20% of the main asset category value. Where a component asset is identified it is written down on a straight line basis over its useful economic life in line with the depreciation policy for that class of asset.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Examples of events and changes in circumstances that indicate impairment may have incurred include:

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

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and all impairment losses are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset and thereafter written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land), assets that are not yet available for use (i.e. assets under construction) and assets held for sale.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Approximate average depreciation periods are as follows:

- Buildings 25 years (or as assessed by the valuer)
- Plant, Furniture & Equipment 5 years (or as assessed by the business)
- Vehicles 3-5 years (depending on vehicle type as assessed by the Transport Manager)

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

## Disposal

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

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

## Assets Held for Sale

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

- The asset must be available for immediate sale in its present condition;
- The sale must be highly probable. This means the appropriate level of management within the Group must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.

- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The asset is re-valued immediately before reclassification and then carried at the lower of carrying value and fair value less costs to sell. Fair Value for Assets Held for Sale is the market value.

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

Assets Held for Sale are not depreciated.

### **Inventories (Stock) and Long Term Contracts**

Inventories are included in the Balance Sheet at cost. All other expenditure on stock and stores is charged to the revenue account in the year of purchase.

This policy is a departure from the IFRS standard IAS2 which requires inventories to be valued at the lower of cost or net realisable value. For many inventory items, particularly uniforms, net realisable value would be minimal and does not accurately reflect the value to the Group of holding these items. The variation from IAS2 does not have a material impact on these financial statements.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **Jointly Controlled Operations and Jointly Controlled Assets**

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

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Group and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

## **Intangible Assets**

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

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

Intangible assets are included in the Balance Sheet at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service revenue accounts in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service revenue accounts in the Comprehensive Income and Expenditure Statement. Any gains or losses arising on the disposal or abandonment of an intangible asset are posted to the Comprehensive Income and Expenditure Statement. Gains or losses are not permitted to have an impact on the General Fund Balance therefore they are moved out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

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

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

## **Debts Outstanding**

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

The writing off of bad debt can be authorised by either the PCC's CFO or the CC's Executive Director of Commercial & Finance Services in respect of their own corporations up to a value of £10,000 for individual bad debt cases and £25,000 cumulatively in any one financial year. The write off of bad debts greater than these limits requires the approval of both CC's Executive Director of Commercial & Finance Services and PCC's CFO up to a maximum of a cumulative value of £50,000 in any one financial year. In Surrey the PCC will approve where appropriate the writing off of debts in excess of the CFOs delegated authority.

## **Reserves**

The Group maintains reserves to finance future commitments, unforeseen circumstances, fluctuations in annual grant settlements and council tax precepts and emergency expenditure which cannot be contained within the approved budget. The approved Reserves Policy sets a target for the level of General Reserve of 3% of budgeted expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, retirement benefits and other employee benefits and do not represent usable resources for the Group.

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

The classification of reserves is consistent with the CIPFA Code of Practice and is reviewed annually by the Police and Crime Commissioner.

### **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 Group 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 Group. 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.

#### **Precept Income**

Precept income from relevant local authorities is fixed for the year and not subject to revision.

#### **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.

#### **Leases**

Leases are classified as either finance leases or operating leases based on risks and rewards of ownership.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **The Police and Crime Commissioner as Lessee**

### **Finance Leases**

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between a charge for the acquisition applied to write down the lease liability and the interest costs of the lease are charged to the Comprehensive Income and Expenditure Statement.

### **Operating Leases**

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

## **The Police and Crime Commissioner as Lessor**

### **Operating Leases**

Where the Police and Crime Commissioner grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **Employee Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and 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 Police and Crime Commissioner. 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 Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are 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 Group to terminate a member of staff's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Group is demonstrably committed to the termination of the employment of a staff member or group of staff members 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 the 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.

### **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.

### **Fair Value Measurement**

The PCC measures some non-financial assets, surplus assets and assets held for sale at fair value at each reporting date using the IFRS13 Fair Value market approach. Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The PCC uses External Valuers to measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

This fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Valuers use valuation techniques that are appropriate to the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The PCC follows the fair value hierarchy prescribed by IFRS13 to increase consistency and comparability in fair value measurements and related disclosures. This hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value as follows:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

## **Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the PCC borrowings held, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The authority does not hold any soft loans.

## **Expected Credit Loss**

The authority will recognise material expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

## **Financial Assets Measured at Fair Value through Profit of Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. The Police and Crime Commissioner does not currently make any soft loans.

## **Interests in Companies and Other Entities**

All the financial transactions incurred during the year for policing Surrey have been recognised and recorded within the Statement of Accounts of the PCC for Surrey, which sets out the overall financial position of the PCC and Chief Constable Group for the year ended 31 March.

The Group position therefore reflects the consolidated accounts of the PCC and its 100% subsidiary the Chief Constable. Where the Group position differs from the PCC position this is made clear within the statements and notes. Separate statutory accounts are prepared for the Chief Constable.

## [Note 40 - 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
		<b>Contributions Receivable</b>		
(14,345)		From Employer:	(21,145)	
(774)		- Normal	(80)	
(9,003)		- Early Retirements	(9,048)	
	<b>(24,122)</b>	From Members		<b>(30,273)</b>
	<b>(366)</b>	<b>Transfers In</b>		
		Individual Transfers in From Other Schemes		<b>(460)</b>
	<b>(24,488)</b>	<b>Total Inflows</b>		<b>(30,733)</b>
		<b>Benefits Payable</b>		
37,150		Pensions	38,850	
6,767		Commutations and Lump Sums	9,096	
76		Lump Sum Death Benefits	0	
1,517		Lump Sum Ill-health Benefits	0	
	<b>45,510</b>			<b>47,946</b>
		<b>Payments To and On Account of Leavers</b>		
60		Refund of Contributions	49	
0		Individual Transfers Out To Other Schemes	0	
	<b>60</b>			<b>49</b>
	<b>45,570</b>	<b>Total Outflows</b>		<b>49,995</b>
	<b>21,082</b>	<b>Net amount payable for the year from the Group (equal to deficit amount)</b>		<b>17,262</b>
	<b>(19,129)</b>	Additional contribution from the Group to fund the deficit for the year *		<b>(17,262)</b>
	<b>(1,953)</b>	Additional funding payable by the Police Operating Account to meet deficit for the year @ 2.9%**		<b>0</b>
	<b>0</b>	<b>Net Amount Payable for the Year</b>		<b>0</b>

\* 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
	<b>Current Assets:</b>	
0	Contributions due from the PCC	0
0	Recoverable overpayments of pensions	0
	<b>Current Liabilities:</b>	
0	Unpaid pensions benefits	0
0	Surplus for the year owing to the PCC	0
<b>0</b>	<b>Net Assets / (Liabilities)</b>	<b>0</b>

### **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:

	<b>Police Pension Scheme (PPS) (1987)</b>	<b>New Police Pension Scheme (NPP) (2006)</b>	<b>Police Pensions Scheme 2015</b>
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

### **ACCRUALS**

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

### **ACTUARIAL GAINS AND LOSSES**

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

### **AMORTISATION**

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL PROGRAMME**

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

### **CAPITAL RECEIPTS**

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

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

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

### **CREDITORS**

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

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

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

### **CURTAILMENT (PENSIONS)**

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

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

### **DEBTORS**

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

**DEFINED BENEFIT SCHEME**

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

**DEFINED CONTRIBUTION SCHEME**

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

**DEPRECIATION**

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

**EXPECTED RATE OF RETURN ON PENSION ASSETS**

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

**FAIR VALUE**

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

**FINANCE LEASE**

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

**GENERAL FUND BALANCES**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**IMPAIRMENT**

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet due to a significant decline in its market value during the period, evidence of obsolescence or

significant physical damage to the non-current asset or a significant adverse change in the statutory or regulatory environment in which the PCC operates.

### **INTANGIBLE ASSETS**

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

### **INTEREST COSTS (PENSIONS)**

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

### **INVESTMENTS (PENSION FUND)**

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

### **LIQUID RESOURCES**

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

### **MINIMUM REVENUE PROVISION (MRP)**

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

### **NET BOOK VALUE**

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

### **NET CURRENT REPLACEMENT COST**

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

### **NON-CURRENT ASSETS**

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

### **OPERATING LEASE**

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

### **PAST SERVICE COSTS**

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

### **POLICE GRANT**

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

### **PRECEPT**

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

## **PROJECTED UNIT METHOD**

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

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

## **PROVISION**

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

## **RELATED PARTIES**

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

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

## **RELATED PARTY TRANSACTION**

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

## **RESIDUAL VALUE**

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

## **REVENUE SUPPORT GRANT**

Central Government grant supporting the cost of public services.

## **SCHEME LIABILITIES**

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

## **SETTLEMENT (PENSIONS)**

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

- a lump sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and

- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**WORK IN PROGRESS/ASSETS UNDER CONSTRUCTION**

Completed and continuing work required on an incomplete project.