

SURREY POLICE AUTHORITY

STATEMENT OF ACCOUNTS

2008/2009

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EXPLANATORY FOREWORD

1 Introduction

Surrey Police Authority is an independent body created by the Police and Magistrates' Courts Act 1994. The Surrey Police Authority is responsible for the finances of Surrey Police and the accounts therefore record all the expenditure and income for the year ending 31st March 2009. The accounting statements, the Core Financial Statements, which follow this foreword have been prepared in accordance with the 2008 SORP (Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice) issued by CIPFA (Chartered Institute of Public Finance & Accountancy) and comprise of:

- Income and Expenditure Account. This summarises the expenditure incurred and income received during the financial year 2008/2009. It also illustrates how the Authority's net expenditure was funded from government grants and council taxpayers. As required by the Best Value Accounting Code of Practice the Income and Expenditure Account is presented by segmental analysis of the policing service delivered. The Income and Expenditure Account is also shown by cost type as a supplementary statement. One of the steps to align the accounts of public sector bodies is the removal of the capital financing charge which was previously made to represent the cost of capital at a notional rate in addition to depreciation. As of 2006/2007 only the cost of asset depreciation for the year is included in the service cost.
- Statement of the Movement on the General Fund Balance. This statement shows how the balance of expenditure incurred and income received during the financial year 2008/2009 links in with statutory requirements for raising council tax.
- Statement of Total Recognised Gains and Losses. This statement shows how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
- Balance Sheet. This sets out the Authority's overall financial position on 31 March 2009, by identifying the Authority's financial assets and liabilities at that date.
- Cash Flow Statement. This illustrates how the Authority's cash holdings have changed during the year. It identifies the inflows and outflows of cash arising from the Authority's income, expenditure and capital transactions with all external parties.
- Pension Fund Account. This provides the relationship between the Police Authority and the Home Office in respect of funding police pensions.

All of the statements of accounts are supported by the Statement of Accounting Policies which follows this foreword, and by various notes to the accounts designed to aid the reader.

As well as producing a guide to the financial statements, this foreword seeks to provide a concise account of the Authority's financial position, and of the significant matters during the year, which have brought about that position.

2 Police Authority Financial Arrangements

2.1 Method of Funding

Funding arrangements for police authorities broadly follow the arrangements for local authorities. The Surrey Police Authority gross revenue budget (or operating budget) for 2008/2009, was set at £209.6m (2007/2008, £196.4m) and was funded as follows:

	2007/2008 £m	2008/2009 £m
Home Office Police Grants	63.2	64.3
Non Domestic Rates	28.9	30.7
Revenue Support Grant	4.9	4.3
Crime Fighting Fund	4.1	4.1
Counter Terrorism Grant	0.6	0.9
Community Support Officers	4.1	4.2
Additional Rule 2 Grants	3.5	3.6
Total Central Support	109.3	112.1
Gross Council Tax Requirement	83.6	92.2
General Reserves	3.5	5.3
Total Funding	196.4	209.6

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

In addition to the principal grants received from the Home Office and the Department for Communities & Local Government, there are 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 Core Financial Statements.

End of year variations to the £209.6m budget (2007/2008 £196.4m) are transferred to/from Police Authority 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 2008/2009 is shown in the Capital Account. The balances held for future capital expenditure are shown in the Balance Sheet and notes to the Core Financial Statements.

2.2 The Roles of the Authority and the Force

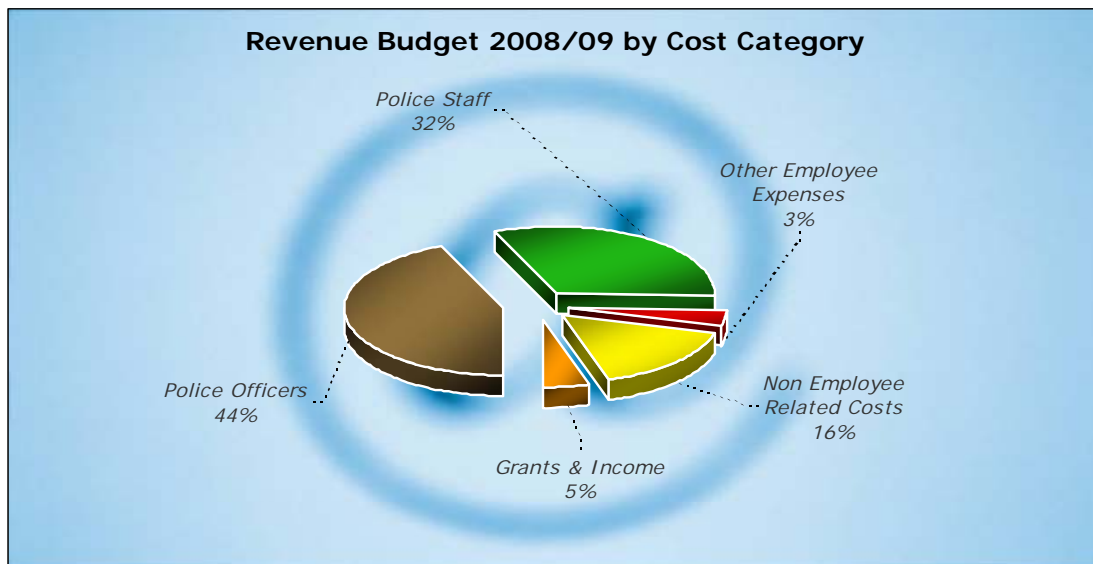
The principles to which police authorities should have due regard in ensuring sound financial management practices are set out in the Home Office Financial Management Code of Practice. The Code states that, unless there are good reasons to the contrary, police authorities should delegate financial management to the Chief Constable so that, as far as possible, the financial management of a force takes place within the Force itself. Surrey Police Authority has fully adopted the principles set out in the Code.

Key financial roles for the Police Authority are as follows:

- to agree a budget requirement and set the precept, on the advice of the Treasurer;
- to approve the Chief Constable's proposed allocation of resources as set out in a format agreed by the Chief Constable and Treasurer;
- to monitor financial outcomes;
- to identify and agree longer term spending commitments.

3 Operating (Revenue) Expenditure

The Police Authority initially budgeted to spend £209.6m in 2008/2009 which required a draw on general balances of £5.3m. The chart below provides a representation of the costs that make up the annual operating budget.



Against this budget, expenditure of £206.8m was incurred resulting in an under spend against the budget and therefore a lower draw on general reserves of £2.7m. This is summarised in the following table.

	£m
Gross Budget approved by Authority 11th February 2008	209.6
Out-turn Expenditure	206.8
Gross Variation	2.8
To/(from) Local Reserves	0.1
To/(from) General Balances	2.7

Further information on the reserves movements for the year can be found within the notes to the Core Financial Statements.

The variance is attributed to decisions made as a result of the Department for Communities and Local Government to nominate the capping of Surrey Police

Authority budget. In response budget was ring fenced to safeguard against the potential capping and budget for growth posts was held back until posts were filled. The Force remained below planned posts during the year easing the financial pressure on the budget, accommodating the loss of interest on investment income due to the fall in interest rates, allowing a provision for the potential losses from investment in Icelandic Banks and planning for the 2012 Olympics.

Detailed analysis of actual expenditure for the year ended 31 March 2009 can be seen in the Income and Expenditure Account statement.

4 Capital Expenditure

Surrey Police Authority approved a capital budget of £7.5m for 2008/2009 (£12.0m in 2007/2008) which, combined with prior year budget approvals brought forward on incomplete schemes, approvals for new schemes, increased the budget to £18.2m (£17.5m in 2007/2008). Noting that capital schemes by their nature exceed a financial year, actual expenditure of £11.6m (£9.8m in 2007/2008) was incurred which was funded by capital grant, capital receipts, revenue and third party contributions. The under spend is to be carried forward to 2009/2010. The major elements that continue into 2009/2010 are:

- IT Infrastructure Renewal
- Enterprise (CIS Development)
- Automated Call Distribution
- Human Resource Restructure Programme
- Addlestone Relocation
- Guildford Custody Extension

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

5 Changes To Accounting Policies

The 2008 SORP has resulted in two changes which necessitate changes in accounting policy for 2008/2009 relating to the accounting for pensions and accounting for financial instruments.

5.1 Retirement Benefits

Under the 2008 SORP the Authority has adopted the amendment to FRS17 Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change on the value of the scheme assets as at 31 March 2009 is considered to be immaterial and therefore the figures have not been restated. Current and prior year surplus have been unaffected by this change.

5.2 Financial Instruments

The new reporting disclosure requirements in respect of financial instruments are aimed at helping readers/users of the accounts evaluate: -

- The significance of financial instruments for the Authority's financial position and performance, and
- The nature and extent of risks arising from financial instruments to which the Authority is exposed and how the Authority manages these risks.

Assets at fair value through profit or loss – assets purchased with the intention of selling in the near term, part of a short term profit taking portfolio or derivatives has replaced the previous classification of Available for Sale Assets. All changes in fair value are posted to the Income & Expenditure Account.

Further information on these new requirements is shown in the Accounting Policies.

6 Borrowing

The approved capital programme is planned to be supported by borrowing but due to favourable cash flow in 2008/2009 it was not necessary for the Authority to take out any external borrowing to assist in financing of the capital programme. At 31 March 2009 the Authority had no outstanding external borrowing except for the liability against Finance Leases.

7 Employee Pension Schemes

Employees of Surrey Police are able to join a pension scheme and the schemes available are defined benefit schemes. For police staff the Local Government Scheme is available and police officers can join the Police Pension Scheme. They differ in their operation and a fuller explanation is provided in the notes to the core financial statements.

A revised scheme for police officers was introduced in 2006/2007 for new starters which modernises the benefits available and aims to reflect the increasing lifespan of people by basing it on a 35 year service period (from a 30 year service period). The second change was the way police pensions are financed, a scheme which is not funded and is termed a pay as you go scheme; from 2006/2007 police officer pensions are financed from employee and employer contributions which combined cover the cost of pensioner's payments and the cost of lump sum commutations of police officers at retirement. If there is a deficit on this pensions account this is funded by the Home Office in the form of a top up grant and conversely if there is a surplus this is returned to the Home Office. See the pensions note 1 for full details of the movements on this account.

8 Overall Financial Position

The level of available revenue balances, earmarked reserves and general reserves, held by the Police Authority has decreased from £17.1m to £15.1m. The balance of £15.1m represents 7.2% of the 2008/2009 annual budget and in accordance with the Authority's reserves strategy allowed for the use of £5.2m of general reserves to support the 2009/2010 budget which kept the precept rise at a lower level but means reserves will be at 4.6% of the 2009/10 gross budget. General Reserves are £11.3m at the end of 2008/09 and taking into account the £5.2m planned draw from reserves in 2009/10 this will leave the Authority with only £6.1m or 2.8% of the 2009/10 budget.

With the full implementation of the Financial Reporting Standard – Retirement Benefits (FRS17), the liability of the pension scheme is disclosed in the Income and Expenditure account, the Statement of Movement on the General Fund, and Balance Sheet. As can be seen in more detail later in this document, Surrey Police has two schemes to meet the needs of its employees' retirement benefits. The scheme for police officers is an un-funded scheme and is therefore in deficit, resulting in an estimated liability of £763.4m. The other scheme is a funded

scheme but is also currently in deficit, with an estimated liability of £30.0m. Note 1 to the Core Financial Statements provides the detail.

In response to the potential liability resulting from losses incurred as a result of investments in the Icelandic Banks a provision has been established to meet any future costs. A reserve exists to meet future costs for the ill health retirement of police officers and in preparation for the 2012 Olympics a small reserve has been established to meet the additional cost in that year.

At 31 March 2009 £2.0m was held against the Authority's estimate of existing insurance liabilities under the current self-funded arrangements.

The only other significant usable reserves held as at 31 March 2009 relate to unused capital resources of £4.6m which are held to fund future capital expenditure.

In line with the valuation policy the main police buildings were revalued by Bruton Knowles as at 31st March 2009 which has resulted in a reduction in the value of these assets which is attributed to the economy. The police houses have also had their values adjusted to reflect the economy by using an index from the Office of National Statistics.

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

9 Further Information

Details of the Authority's plans for revenue and capital expenditure in 2009/2010 can be found in the Budget and Precept paper considered by the full Police Authority on 9 February 2009 and the Local Policing Plan. Copies of the documents can be obtained from Surrey Police Authority by telephoning: 01483 630200, or from the Police Authority web site at www.surreypa.gov.uk

Ian Perkin, Treasurer to Surrey Police Authority

September 2009

REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS

Independent auditor's report to the Members of Surrey Police Authority

Opinion on the financial statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Surrey Police Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Surrey Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its police pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the police pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the police pension fund accounting statements and related notes.

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority [and its Group] as at 31 March 2009 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the police pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Surrey Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Grady
District Auditor
Audit Commission
1st Floor
CEC Business Centre
Crossweys
28-30 High Street
Guildford
Surrey
GU1 3EL

September 2009

STATEMENT OF RESPONSIBILITIES

The Responsibilities of the Police Authority

The Police Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the statement of accounts

I confirm that these Accounts were approved by Surrey Police Authority on 29th June 2009.

Peter Williams
Chair of the Surrey Police
Authority

The Responsibilities of the Treasurer

The Treasurer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on local Authority Accounting in the United Kingdom (the SORP).

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 local authority SORP.

The Treasurer has also:

- 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 presents fairly the financial position of the Surrey Police Authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

Ian Perkin
Treasurer of Surrey Police
Authority

SURREY POLICE AUTHORITY ANNUAL GOVERNANCE STATEMENT

1. Summary

Surrey Police Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging these responsibilities the Authority is responsible for putting in place proper accounting arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk. The Authority's overarching statutory responsibilities are: -

1. To secure an efficient and effective local police service.
2. To hold to account the Chief Constable for the exercise of his functions and those of persons under his direction and control.
3. To consult with the people of Surrey to identify their policing priorities and make sure that their council tax money is spent effectively.

The Chief Constable of Surrey Police is responsible for the direction and the control of the Force. In discharging his duties, the Chief Constable shall have regard to the Local Policing Plan issued by the Authority.

The Chief Constable is also responsible for putting in place proper arrangements for the governance of the Force and for facilitating the exercise of its role, which includes ensuring that arrangements are in place for the management of risk. A more detailed Statement of Assurance for the Surrey Police Force signed by the Chief Constable supports this overarching Governance Statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values through which the Authority manages its activities. Through it the Authority is able to monitor the achievement of its objectives and to consider whether those objectives have led to the delivery of an appropriate, cost-effective service, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives. The system is also designed to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place within Surrey Police for the year ended 31st March 2009 and up to the date of approval of the Annual Statement of Accounts 2008/09.

3. The Governance Framework

The way in which the Authority has put the core principles of good governance into practice is as follows:-

The Authority's purpose and role is set out in its Code of Corporate Governance, initially agreed in May 2007 and revised in March 2009 in accordance with CIPFA (Chartered Institute of Public Finance and Administration) and SOLACE (Society of Local Authority Chief Executives) guidance. The Code is available on the Authority's website.

In addition, the Authority has developed a vision, initially agreed in February 2008. The vision was re-examined in March 2009 as part of the development of the Authority's business plan in:

"Surrey Police Authority is recognised as an independent, forward thinking body which actively scrutinises the Force while supporting it in providing an effective, value for money service as one of the leading forces in the country and in which our community has full respect and confidence"

The vision is underpinned by a number of success criteria which measure the Authority's success in delivering an efficient and effective service. The Authority's values, or general principles of business, are also set out both in its business plan and the Code of Corporate Governance and can be summarised as follows:

- Accountability – to parliament, by local people and by any oversight bodies.
- Integrity – including honesty and observing confidentiality
- Openness – transparency of Authority activities to promote confidence
- Inclusivity – providing an impartial service to all

All Members were involved in the development and subsequent refresh of the vision and every opportunity has been used to communicate it including in the Authority's monthly newsletter and the Authority's business plan, which is reviewed and reported upon on an annual basis. The Standards Committee keeps an ongoing overview of the effectiveness of the Authority's over-arching governance arrangements.

The Authority's Audit Committee, established in June 2006 in accordance with CIPFA guidance, plays a key role in giving independent assurance of the adequacy of the risk management framework and the associated control environment. Together with the Authority's Standards Committee, it has also been instrumental in the review of Standing Orders and also a review of Financial Regulations which were approved in February 2008 and are now being updated on an ongoing basis. The Authority's Scheme of Delegation was agreed in February 2008. This documents the roles and responsibilities of the senior officers of both the Force and Authority and is kept under continual review by the Authority's Audit Committee.

The roles and responsibilities of the Authority and of individual Members are also set out on its website and in the Members' Handbook.

The effectiveness of the Authority's Committee and Panel structure is kept under continual review to ensure it is fit to scrutinise and challenge Force activity. The roles of each Panel and Committee are set out in Terms of Reference which were last agreed by the full Authority in May 2008 and are kept under review.

The Authority's Standards Committee plays a key role in advising the Authority on the revision of its Code of Conduct (approved in September 2007) and monitors its operation. It assists in ensuring the provisions of the Code are embedded with all Members and provides training as required. All new Members meet with Chairman of the Authority's Standards Committee to explain the responsibilities and requirements arising from the application of the Code of Conduct. The Committee has also developed a Code of Conduct for Authority staff.

This year, the Committee has taken on a key new role for the local investigation of allegations of misconduct on the part of Authority Members. A detailed protocol has been agreed for the handling of such allegations in accordance with the Standards Board for England's guidance.

There are a number of organisations who deal with other complaints, depending on the nature of the complaint. The responsibilities of police authorities, Chief Police Officers, the Independent Police Complaints Commission (IPCC) and Her Majesty's Inspector of Constabulary (HMIC), for complaints are set out in the Police Reform Act 2002. The specific roles and responsibilities of the Police Authority are set out on its website for public information. Since September 2007 the Authority has operated a clear whistle-blowing policy.

The Standards Committee takes a role in identifying the development needs of Members and oversees the Authority's training plan. Over the past year, the Authority has been working towards an accredited 'Member Development Charter' and the Standards Committee has been monitoring progress in this regard. All Members are offered the opportunity to complete a 360 degree appraisal and since the 2008/09 municipal year, each Member has a specific set of objectives in relation to their role as an Authority Member and any additional responsibilities they undertake. The Authority's Senior Personnel Committee has responsibility for the performance development review of the Chief Constable.

The Authority agreed its Community Engagement Strategy in September 2008 which sets out its statutory responsibilities in terms of consulting with local people on policing priorities, the budget and on confidence in local policing. It also informs the public about how decisions are made and how they can make a complaint. It outlines how Members must exercise independent oversight of Surrey Police and ensure that the Force is accurately and adequately representing the concerns of local people. It also sets out our arrangements for working in partnership with key stakeholders.

The Authority's Local Policing Plan is a key document which outlines the key policing priorities and performance targets set, taking on board both national and local priorities as well as those of our partners and the public. The Authority has a process in place to integrate the development of the policing plan with the budget setting process and monitors progress against the plan at its panel meetings throughout the year.

4. Review of Effectiveness

The Authority is responsible for approving the local Code of Corporate Governance and for carrying out an annual review of its effectiveness. To do this the Authority has put in place the following arrangements: -

The Force

The Chief Constable is responsible for corporate governance issues affecting the Force, ensuring appropriate reviews are carried out in the following areas: -

a) Performance Management

Performance is reviewed monthly at SPECS meetings which are attended by senior and strategic leaders within the force.

The Performance Management team exists to facilitate the promotion of a performance culture throughout the Force and provide guidance, whilst also ensuring all statutory management information requirements are met.

b) Risk Management

The responsibility for owning and managing Authority risks sits with the Chief Executive. During 2008/09, the internal auditors undertook an advisory audit of the Authority's arrangements and put forward a number of recommendations which have been taken forward. In December 2008, all Members received training on risk management.

The responsibility for owning and managing Force organisational risks sits with its Chief Officers and Directors, overseen by the Chief Constable. Both Force and Authority risks, as well as joint risks, are entered onto a single risk register and are considered at specific meetings of the Chief Officers Group where the Chief Executive and the Treasurer are in attendance. The Authority's own risks are also identified and monitored by its Secretariat on a monthly basis, at Panel meetings and by the Panel Chairs at regular meetings. The highest level risks are reported to the full Authority at each meeting. The Risk Management policy and strategy is subject to scrutiny by internal and external audit.

c) Professional Standards

The Professional Standards Department (PSD) exists primarily to deal with complaints against Police officers and Police staff by members of the public. It also has a responsibility to the Force and the wider police service to minimise exposure to corruption. In this regard, the portfolio is owned by the Deputy Chief Constable.

In order to minimise exposure to corruption, PSD contains a vetting unit that is geared to the requirements of the ACPO (Association of Chief Police Officers) National Vetting Policy.

This year, the Department has implemented the recommendations of the Taylor Review, the new national procedures for misconduct and unsatisfactory performance, which are now mandatory for the Police Service. PSD periodically carries out strategic assessments of its intelligence capacity, in line with the National Intelligence model.

The Audit Committee

The Committee gives independent assurance of the adequacy of the risk management and framework and the associated control environment making

recommendations for any required changes directly to the Authority. The committee receives reports from the Treasurer, (the Authority's Section 151 officer), the Chief Executive, the Internal Auditors and the External Auditors on the efficiency and effectiveness of the internal control processes, as well as the probity of those processes.

The Standards Committee

The Committee has the key responsibility for promoting and maintaining high standards of conduct by the members of the Authority, advising on the adoption or revision of the Members Code of Conduct and monitoring its operation. The Committee also advises the Authority on compliance with the requirements for registration of interests and registers of gifts and hospitality. It has responsibilities for investigating and hearing complaints about allegations of misconduct by Authority Members.

Internal Audit

The Authority appointed new Internal Auditors on the 1st April 2008, Mazars LLP. They operate in accordance with the International Internal Auditing Standards Board of the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing, 2006* and the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*. The CIPFA code requires internal audit to provide the Authority with an opinion on the overall adequacy and effectiveness of the organisation's risk management control and governance processes (i.e. the system of internal control). In this regard the internal auditors were able to certify that the Authority's arrangements were generally adequate and effective, with the identification of only one fundamental weakness, which is in the process of being addressed by management and is detailed under the Significant Governance Issues section of this statement.

External Audit

Using the Police Use of Resource Evaluation (PURE) the External Auditors assesses how Surrey Police manages and uses its financial resources.

The latest score available, for 2007/08, was level 3, meaning Surrey Police was performing consistently above minimum requirements i.e. performing well. While the overall score has not changed from the previous year the Audit Commission identified that scores for individual themes had shown overall improvement, particularly in the areas of Internal Control and Value for Money. The 2008/09 Police Use of Resources Evaluation (PURE) review was in progress at the time this document was produced.

Her Majesty's Inspectorate of Constabulary

Her Majesty's Inspectorate of Constabulary moved in 2007 to a programme of inspections on areas judged as highest risk. Four inspections were conducted of Surrey Police business 2008/9. An inspection of Neighbourhood Policing reported in September 2008 and judged Surrey Police as "meeting the standard". At the same time an inspection of "Developing Citizen Focus" also judged Surrey Police as "meeting the standard". Inspections of Major Crime and Serious and Organised Crime both reported in July 2008. Dealing with Major Crime in Surrey Police was judged to be "meeting the standard". Serious and Organised Crime

inspections were not graded by HMIC but the force was judged by HMIC to have demonstrated a maturing process toward tackling Serious and Organised Crime.

5. Significant Governance Issues

2007/08

No significant control issues were identified within the 2007/08 reviews.

2008/09

The following issues were identified as being of a significant impact to Surrey Police Authority in the Internal Auditors report issues in November 2008:

According to anecdotal evidence the Force was holding intelligence information locally which was not always entered into the central Force intelligence system (CIS) on a timely basis. The Force has responded to this issue by confirming that such practices, where they exist, will not be tolerated and the Chief Officer group has set out clear expectations in this regard.

The auditors noted that the Force is currently engaged in a programme of initiatives regarding how data is recorded and reviewed on CIS. This includes preparation for the transfer of data to the Enterprise system, due to replace CIS from 2011 onwards. This programme has been designed to ensure that Force data is held in accordance with the recommendations arising from the Bichard Review and in particular the Code of Practice on the Management of Police Information (MoPI) which came out of it. The Enterprise system has been designed to comply with MoPI requirements. The Force must comply with MoPI by the end of December 2010 and is on track to do so.

An Authority initiated internal audit review concerning approval procedures for senior officer expenses, revealed some instances of officers self approving their own expenses. Although there was no suggestion made that this had led the Authority to incur any financial loss, the Audit Committee did not consider that it was appropriate for any officer or employee, regardless of rank to self approve their own expenses and new procedures are being introduced to end this practice.

Peter Williams
Chair of Police Authority

ACCOUNTING POLICIES –

Code of Practice

1. The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the U.K. 2008, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and approved by the Accounting Standards Board. The Code defines proper accounting practices based on both statutory and professional accounting requirements. The accounts follow the guidance notes produced by CIPFA for practitioners on the application of the Code to Local Authorities, which includes the 2008 SORP.

Fundamental Accounting Policies

2. The Statement of Accounts has been prepared in accordance with the following fundamental accounting principles:
 - **Relevance** – to ensure that the information provided about the Authority's financial performance and position is useful for assessing stewardship of public funds and for making economic decisions.
 - **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.
 - **Understandability** - to ensure that the accounting statements produced can be understood by its readers.
 - **Materiality** – a threshold quality to ensure that the information included in the financial accounts is of such significance as to justify its inclusion. An item of information is considered material if its misstatement or omission might reasonably be expected to influence assessments of the financial statements.

In addition, three further pervasive accounting concepts have been applied:

- **Accruals** – the accruals basis of accounting establishes that the non-cash effects of transactions are reflected in the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- **Going Concern** – the accounts have been prepared on the assumption that the Authority will operate for the foreseeable future.
- **Primacy of Legislative Requirements** – Police Authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. Where specific legislative requirements and accounting principles conflict, the legislative requirement is applied.

The following sections set out the Police Authority's general accounting policies, which have been followed in 2008/2009.

Income and Expenditure

3. The accounts reflect the normal accruals concept for both capital and revenue. Creditors are included within the balance sheet for goods and services supplied but not paid for at the year end. Debtors are included within the balance sheet where services have been provided but not yet reimbursed at the year end.
4. An exception to this is for utilities (gas, electricity, telephones, etc), where invoices will be accounted for in the year they fall, providing that only four quarterly or twelve monthly invoices are charged in any one year.
5. Central support costs are currently managed centrally and not charged out to Force divisional and departmental management units. There are a small number of exceptions to this, where internal trading accounts are operated, for management purposes only. These internal transactions have been excluded for the purpose of producing the statements.

Deferred Charges

6. Deferred Charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. They are amortised to the income & expenditure account over a period consistent with the consumption of economic benefits controlled by the Authority.

Fixed Assets

Recognition

7. Expenditure on the acquisition or creation of assets, or expenditure which enhances the value of existing assets is capitalised, provided that these assets yield benefit to the Authority for a period of more than one year. In this context enhancement means the carrying out of works which are intended to lengthen substantially the asset's useful life, to increase substantially the market value of the asset, or to increase substantially the extent to which the asset can or will be used for the purposes of the Authority.
8. No formal de minimus capitalisation limit applies to the purchase of land and buildings, or to the purchase of fleet vehicles. The general de minimis applied is £10,000 for all relevant expenditure. Low value covert vehicles purchased are not capitalised.

Measurement

9. Fixed assets are stated in the Balance Sheet at current value, net of depreciation where appropriate, reflecting the capital accounting requirements of the Code of Practice.
10. Assets have been valued at the lower of net current replacement cost and net realisable value in existing use, as stated in the notes, subject to the exceptions below:

- Short-lived operational assets (i.e. vehicles, plant and equipment) are valued at historic cost (less depreciation where appropriate) as a proxy for current replacement cost.
- Incomplete building works, or those completed since the last valuation, are included in the Balance Sheet at historic cost.
- Surplus assets held for disposal are included in the Balance Sheet at market value.

11. The Authority holds tangible and intangible fixed assets.

Tangible fixed assets

12. Tangible fixed assets are classified as:

a) Operational Assets – those presently used by the Authority to deliver policing services, or to support their delivery. These assets are further categorised as land & buildings, vehicles & plant, and furniture & equipment.

b) Non-Operational Assets – those held by the Authority, but not directly used to deliver policing services or to support their delivery. These assets include assets under construction and surplus assets held for disposal / pending commission. Investment assets would also be recorded under this heading, however, as at 31 March 2009 the Authority does not own any such assets.

13. Land and buildings have been valued by external professional valuers in accordance with the basis recommended by CIPFA and according to the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS).

Assets included in the Balance Sheet at Current Cost are revalued at a minimum every 5 years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to that Account.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only. Gains before that date have been consolidated into the Capital Adjustment Account.

Depreciation

14. Depreciation has been calculated on a straight-line basis over the estimated life of the asset, commencing in the first full year after acquisition. Although depreciation is calculated on the estimated life of the specific individual asset concerned, for example the mileage is the measure of consumption for vehicles, the approximate average depreciation periods are as follows:

Buildings	25 years
Helicopter	10 years
Equipment	5 years
Vehicles	5 years

Assets classed as non operational are not depreciated. The economic lives of the assets are reviewed each accounting period and revised if necessary.

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

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

Impairment

15. The values of each category of asset and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value, which are referred to as "impairments". Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:
- Where the impairment is attributable to the clear consumption of economic benefits, the loss is charged to the Income and Expenditure Account. The impairment loss should then be appropriated to the Capital Adjustment Account. However, where there are accumulated revaluation gains in the Revaluation Reserve for a particular asset, an amount up to the value of the impairment loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.
 - Where the impairment is not attributable to the clear consumption of economic benefits, it is written off against the revaluation gains attributable to the particular asset in the Revaluation Reserve, with any excess charged to the Income and Expenditure Account.

Disposal

16. When a fixed asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet is written off to the Income and Expenditure Account. The disposal proceeds are credited to the Income and Expenditure Account and netted off against the asset's carrying value. The resulting balance represents either the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.
17. Receipts in excess of £10,000 from the sale of property, vehicles, equipment and intangible assets, are defined as capital receipts, and are used to fund future capital expenditure. Individual receipts of less than £10,000 are credited to the Income and Expenditure Account.
18. Receipts from sale of houses are only recognised in the accounts when cash is received rather than when they are contractually committed. This is considered to be a prudent policy, in view of the uncertainties associated with property sales.

Funding of Capital Expenditure to Purchase Fixed Assets

19. Capital expenditure is funded by borrowing, government grants, capital receipts, operating (revenue) account and third party contributions. Provision for repayment of external borrowing is in accordance with the Minimum Revenue Provision and is charged to the Statement on Movement of the General Fund Balance as a contribution to the Capital Adjustment Account. Contributions and grants are matched to specific assets in the year in which they are applied to fund capital expenditure, to a Capital Contributions Deferred Account. From this account monies are released to the Income &

Expenditure Account in line with the depreciation policies applied to the major classes of assets funded by the grants or contributions. The Statement of Movement on the General Fund Balance includes an adjustment to negate the impact on council tax payers.

Leases

20. Finance Leases

Where the Authority has substantially all the risks and rewards of ownership relating to a leased asset, it is accounted for as a finance lease, and is capitalised as an asset and the corresponding liability shown on the balance sheet. Interest costs of the lease are charged to the Income and Expenditure Account.

21. Operating Leases

Other leases which do not meet the definition of finance leases are accounted for as operating leases in accordance with the Accounting Standard SSAP21 – Accounting for Leases and Hire Purchase Contracts. They are not capitalised and rentals are charged directly to the Income and Expenditure Account in the year to which they relate.

Intangible Fixed Assets

22. Under the heading of 'Intangible Assets', which includes capital expenditure that does not result in the acquisition of a tangible asset, but where there is access to future economic benefits that the Authority controls through custody or legal protection, the Authority holds software, licenses and associated implementation costs.

Intangible assets are included in the Balance Sheet at historic cost in the year of acquisition.

Amortisation has been calculated on a straight-line basis over the estimated life of the asset – normally 3 years, commencing in the first full year after acquisition.

Stocks

23. Stocks are included in the Balance Sheet at cost. The Authority's stock includes such items as vehicle parts and uniforms. Damaged and obsolete stocks are written off in the year. Some minor stocks are not valued and are excluded e.g. stationery.

Debts Outstanding

24. Income is accounted for on an accruals basis. Debts that cannot be collected are written off to the Income and Expenditure Account of the division or department that raised the debt. A general bad debt provision has been created and the level of provision is reviewed annually.

Reserves and Provisions

25. The Police Authority maintains reserves to finance future expenditure and to protect the Authority against unexpected events.
26. Provisions represent legal liabilities, where the amount or date of payment is uncertain. They are charged to the Income and Expenditure Account in the year of creation.

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

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

Accounting for Fixed Assets

29. From 1 April 2007 accounting for fixed assets requires the use of a Revaluation Reserve and a Capital Adjustment Account which have replaced the Fixed Asset Restatement Account and the Capital Financing Account respectively. Unlike the reserves above, they do not represent sums available to fund future expenditure. Details are shown in the Core Financial Statements.

Pension Arrangements

30. Surrey Police Pension schemes are accounted for under the Financial Reporting Standard – Retirement Benefits (FRS17).

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

- **Police Officers:**
This scheme is un-funded and the employer's contribution is charged to the Income and Expenditure Account.
- **Local Government Pension Scheme:**
Police staff employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees and the net current service cost.

32. No transfer values are paid for officers transferring between police authorities.

33. The pension costs included in note 1 of the Core Financial Statements Notes in respect of these schemes have been determined in accordance with relevant government regulations.

34. Where the payments made for the year in accordance with the scheme requirements do not match the change in the Authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation.

35. The attributable assets of the scheme are measured at their fair value at the balance sheet date. From 2008/09 the quoted securities held as assets in the Local Government pension scheme are now valued at bid price rather than mid-market value. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The scheme liabilities comprise any benefits promised under the formal terms of the scheme and, any obligations for further benefits where a public statement or past practice by the employer has created a valid expectation in the employees that such benefit will be granted.

36. Any unpaid contributions to the scheme are presented in the balance sheet as a creditor due within one year.
37. Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increase in benefit accrues.
38. Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Authority becomes demonstrably committed to the transaction and recognised in Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.
39. The accounts are constructed on the FRS17 accounting basis and better reflect commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund. As from April 2006 the mechanism by which Police Force pension costs are financed was changed. The relationship between the Force and the Home Office is captured in the Pension Fund Account included within Note 1 of the Core Financial Statements.

Grants and Contributions

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

Redemption of Debt

41. Throughout 2008/2009 the Authority had no external debt apart from Finance Leases for certain assets. Under prevailing regulation the Authority is not debt free and therefore there is a requirement to make a provision for principal repayments through the Minimum Revenue Provision (MRP).

Financial Instruments

Financial Instruments – Financial Liabilities

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

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

Financial Instruments – Financial Assets

43. The Authority's financial assets are classified as:

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

Loans and Receivables

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

Financial Assets at Fair Value through Profit or Loss

Assets at fair value thorough profit or loss are initially measured and carried at fair value. Where the fair value cannot be measured reliably, the instrument is carried at cost less any impairment losses.

Changes in fair value recorded in the balance sheet are to be balanced by posting gains and losses to the Income and Expenditure Account as they arise.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains or losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

The Authority had in place a scheme that enables police officers to apply for a loan which can only be used towards the purchase of a property. The majority of these advances were made prior to 1st April 2006 (the scheme ceased during 2006/07) and are not classified as financial instruments but are treated as long term debtors that are recoverable when the officers leave Surrey Police or sell the property against which the advance has been made.

However three advances - total carrying value £0.1m – were made after 1st April 2006 prior to the scheme closing, and are classified as assets at fair value through profit or loss as there are no fixed or determinable payments associated with these debtors. All income associated with these advances is credited to the Income and Expenditure Account when it becomes receivable by the Authority.

In line with the policy on accounting for buildings, the assets at fair value through profit or loss are revalued at a minimum every 5 years, based on professional advice.

CORE FINANCIAL STATEMENTS

INCOME & EXPENDITURE ACCOUNT

	2007/2008	2008/2009		
	Net Expenditure £m	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Police Service	210.1	243.8	(23.8)	220.0
NET COST OF SERVICES	210.1	243.8	(23.8)	220.0
Gain or loss on disposal of fixed assets	0.1	0.0	(1.5)	(1.5)
Interest and Investment Income	(1.8)	0.0	(1.2)	(1.2)
Pension interest costs and expected return on pension assets	50.7	56.6	0.0	56.6
Home Office grant payable towards the cost of retirement benefits	(4.9)	0.0	(8.4)	(8.4)
NET OPERATING EXPENDITURE	254.2	300.4	(34.9)	265.5
Net Expenditure to be met from Grants and Taxation	254.2	300.4	(34.9)	265.5
Police Grant	(63.2)	0.0	(64.3)	(64.3)
Revenue Support Grant	(4.9)	0.0	(4.3)	(4.3)
National Non Domestic rates	(28.9)	0.0	(30.7)	(30.7)
Precepts	(83.6)	0.0	(92.2)	(92.2)
(SURPLUS) OR DEFICIT FOR THE YEAR	73.6	300.4	(226.4)	74.0

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows Surrey Police Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, Surrey Police Authority is required to raise council tax on a different accounting basis, the main difference being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the surplus or deficit on the Income and Expenditure Account and the General Fund Balance.

	2007/08 £m	2008/09 £m
(Surplus) or Deficit for the year on the Income and Expenditure Account	73.6	74.0
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(71.6)	(74.7)
Total (Increase)/decrease in the General Fund Balance for the year	2.0	(0.7)
General Balances brought-forward	(12.6)	(10.6)
General Balances carried-forward	(10.6)	(11.3)

Note of reconciling items for the Statement of Movement on the General Fund Balance

	2007/08 £m	2008/09 £m
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
Amortisation of intangible fixed assets	(1.6)	(1.6)
Depreciation and impairment of fixed assets	(9.0)	(22.7)
Government grants deferred	0.2	1.3
Net gain or loss on sale of fixed assets	(0.1)	1.5
Net charges made for retirement benefits in accordance with FRS 17	(95.3)	(89.2)
	(105.8)	(110.7)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing	0.4	0.5
Capital expenditure charged in-year to the General Fund Balance	1.2	0.6
Employer's contribution payable to the Pensions Account and retirement benefits payable direct to pensioners	33.5	38.4
	35.1	39.5
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Net transfer to or from earmarked reserves	(0.9)	(3.5)
	(0.9)	(3.5)
Net additional amount required to be (credited) / debited to the General Fund balance for the year	(71.6)	(74.7)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/2008 £m	2008/2009 £m
(Surplus) Deficit for the year on the Income and Expenditure and Expenditure Account	73.6	74.0
(Surplus) Deficit arising on revaluation of fixed assets	(0.1)	(7.3)
Actuarial (gains)/losses on pension fund assets and liabilities	(194.7)	(82.3)
Any other (gains) and losses	(0.1)	0.1
Total recognised (gains)/losses for the year	(121.3)	(15.5)

BALANCE SHEET

	31 March 2008 £m	31 March 2009 £m	Notes
FIXED ASSETS			3.2
Intangible Fixed Assets	4.5	3.0	
Tangible Fixed Assets			
Operational Assets:			
Land and buildings	105.3	92.6	
Vehicles, plant, furniture and equipment	20.2	18.6	
Non-operational assets:			
Assets under construction	2.6	6.6	
Surplus assets held for disposal	2.6	5.3	
TOTAL FIXED ASSETS	135.2	126.1	
LONG TERM DEBTORS	2.7	2.6	3.6
TOTAL LONG - TERM ASSETS	137.9	128.7	
CURRENT ASSETS			
Stock	0.3	0.3	3.7
Debtors	15.1	13.6	3.8
Temporary Loan Investments	16.1	14.6	
TOTAL CURRENT ASSETS	31.5	28.5	
TOTAL ASSETS	169.4	157.2	
CURRENT LIABILITIES			
Creditors	(15.0)	(14.4)	3.9
Cash Overdrawn	(1.0)	(3.1)	3.14
TOTAL CURRENT LIABILITIES	(16.0)	(17.5)	
LONG TERM LIABILITIES			
Deferred Liability	(1.9)	(4.0)	3.10
Provision	0.0	(0.1)	3.11
Deferred Capital Contributions	(8.1)	(8.2)	3.12
Liability related to defined benefit pension scheme	(824.9)	(793.4)	
TOTAL LONG TERM LIABILITIES	(834.9)	(805.7)	
TOTAL LIABILITIES	(850.9)	(823.2)	
TOTAL ASSETS LESS LIABILITIES	(681.5)	(666.0)	
FINANCED BY:			3.13
USABLE RESERVES AND BALANCES			
Usable Capital Receipts	5.5	4.1	
General Balances	10.6	11.3	
Earmarked Reserves	6.5	3.8	
ACCOUNTING RESERVE			
Capital Adjustment Account	120.7	102.3	
Revaluation Reserve	0.1	5.9	
Pension Reserve	(824.9)	(793.4)	
TOTAL NET WORTH	(681.5)	(666.0)	

SURREY POLICE AUTHORITY CASHFLOW STATEMENT 2008/2009

	31 March 2008		31 March 2009		Notes
	£m	£m	£m	£m	
INCOME AND EXPENDITURE ACTIVITIES					3.14
Cash Outflows					
Cash paid to and on behalf of employees	175.3		183.6		
Other operating costs	39.2		43.3		
		214.5		226.9	
Cash Inflows					
Council Tax Income	(83.6)		(92.2)		
NNDR income	(28.9)		(30.7)		
Revenue Support Grant	(4.9)		(4.3)		
Police Grant	(63.2)		(64.3)		
Other Government grants	(24.7)		(27.7)		4
Cash received for good and services	2.9		(5.6)		
		(202.4)		(224.8)	
Income and Expenditure Activities Net Cash Out/Inflow		12.1		2.1	1
SERVICING OF EXTERNAL FINANCE					
Cash Outflows					
Interest element of finance lease	0.2		0.1		
	0.2		0.1		
Cash Inflows					
Interest received	(1.8)		(1.2)		
	(1.8)		(1.2)		
Servicing External Finance Net Cash Inflow		(1.6)		(1.1)	
CAPITAL ACTIVITIES					
Cash Outflows					
Purchase of fixed assets	9.3		10.9		
Capital creditors	(1.4)		(0.5)		
	7.9		10.4		
Cash Inflows					
Sale of fixed assets	(5.7)		(5.5)		
Capital grants received	(2.4)		(2.3)		
Other Capital Contributions	(0.2)		(0.6)		
	(8.3)		(8.4)		
Capital Activities Net Cash Inflow		(0.4)		2.0	
MANAGEMENT OF LIQUID RESOURCES					
Net Cash (Inflow)/Outflow Before Financing		10.1		3.0	
Cash Outflow					
Capital element of finance lease rental		0.5		0.7	
NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		10.6		3.7	2

SURREY POLICE PENSION FUND ACCOUNT

FUND ACCOUNT	2007/2008 £m	2008/2009 £m
Contributions receivable		
from employer		
normal	(14.7)	(15.3)
early retirements	(0.4)	(0.2)
from members	(6.7)	(6.8)
Transfers in		
individual transfers in from other schemes	(0.6)	(0.3)
Benefits payable		
pensions	20.3	21.9
commutations and lump sum retirement benefits	5.7	8.4
lump sum death benefits	0.1	0.0
Payments to and on account of leavers		
refund of contributions	0.1	0.0
individual transfers out to other schemes	1.1	0.7
Sub-total for the year before transfer from the police authority of amount equal to the deficit	4.9	8.4
Additional funding payable by the police authority to fund the deficit for the year	(4.9)	(8.4)
Total	0.0	0.0

NET ASSETS STATEMENT	2007/2008 £m	2008/2009 £m
Net current assets and liabilities		
contributions due from employer	0.0	(1.1)
unpaid pension benefits	0.0	1.1
amount due to sponsoring department	0.0	0.0
other current assets and liabilities	0.0	0.0
Net assets and liabilities	0.0	0.0

Further information about the schemes can be found in the pension arrangements note (note 1 of the core financial statements).

CORE FINANCIAL STATEMENT NOTES

1. Pension Arrangements

As part of the terms and conditions of employment of its officers and other employees, the Police Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for police staff employees, administered locally by Surrey County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and the cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than the amounts receivable, the police authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the police authority, which then must repay the amount to central government.

Change of accounting policy

Under the 2008 SORP the Authority has adopted the amendment to FRS17 Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is on the value of the scheme assets as at 31 March 2009 is considered to be immaterial and therefore the figures have not been restated. Current and prior year surplus have been unaffected by this change.

Transactions relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year: As part of the terms and conditions of employment of its officers and other employees, the Police Authority participates in different pension schemes, which meet the needs of its employees. The schemes provide members with defined benefits related to pay and service. The costs of providing pensions for employees are charged to the accounts in accordance with the statutory requirements governing each scheme.

	Police Pension Scheme		Local Government Pension Scheme	
	2007/08	2008/09	2007/08	2008/09
	£m	£m	£m	£m
Expenditure				
Pensions	21.8	23.4	0.0	0.0
Pension Contributions	0.6	0.2	5.7	7.1
Commutation (Lump sum) payments	5.6	8.1	0.0	0.0
Transfer Values - out of scheme	1.1	0.7	0.0	0.0
Other Benefits etc.	0.1	0.0	0.0	0.0
	29.2	32.4	5.7	7.1
Income				
Pension Contributions	(6.7)	(6.8)	0.0	0.0
Transfer Values - into scheme	(0.6)	(0.3)	0.0	0.0
	(7.3)	(7.1)	0.0	0.0
Net Cost to Surrey Police Authority	21.9	25.3	5.7	7.1
Net Cost of Services				
Employers Current Year Contributions	(27.7)	(31.5)	(5.7)	(7.1)
Current Service Cost	35.4	26.4	8.0	4.8
Past Service Cost	1.1	0.1	0.0	1.2
Curtailment and Settlements	0.0	0.0	0.0	0.2
	30.7	20.3	8.0	6.2
Net Operating Expenditure				
Interest Cost	50.3	55.7	5.9	6.8
Expected return on assets in the scheme	0.0	0.0	(5.5)	(5.9)
Amounts to be met from Government Grants and Local Taxation				
Movement on pension reserve	(86.8)	(82.2)	(8.4)	(7.0)
Payment to Pension Fund	27.7	31.5	5.7	7.1
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contribution payable to scheme	0.0	0.0	5.7	7.1
Retirement benefits payable to pensioners	21.9	25.3	0.0	0.0

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £82.3m were included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial gains and losses recognised in the STRGL is £93.3m.

	2004/05 £m	2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m
Local Government Pension Scheme: Actuarial Gains/(Losses) recognised in STRGL	(11.1)	(5.1)	7.8	18.0	(14.3)
Cumulative Actuarial Gains and Losses	(11.1)	(16.2)	(8.4)	9.6	(4.7)
Police Pension Scheme: Actuarial Gains/(Losses) recognised in STRGL	(110.9)	(160.0)	95.6	176.7	96.6
Cumulative Actuarial Gains and Losses	(110.9)	(270.9)	(175.3)	1.4	98.0
Total Cumulative Actuarial Gains and Losses	(122.0)	(287.1)	(183.7)	11.0	93.3

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Unfunded Liabilities: Police Pension Scheme		Funded liabilities: Local Government Pension Scheme		Total	
	2007/08 £m	2008/09 £m	2007/08 £m	2008/09 £m	2007/08 £m	2008/09 £m
1st April balance b/fwd	926.9	809.3	105.2	94.4	1,032.1	903.7
Current service cost	35.4	26.4	8.0	4.8	43.4	31.2
Interest cost	50.3	55.7	5.9	6.8	56.2	62.5
Contributions by scheme participants	0.0	0.0	2.8	3.1	2.8	3.1
Actuarial losses / (gains)	(176.7)	(96.6)	(25.5)	(11.4)	(202.2)	(108.0)
Estimated Unfunded benefits paid	0.0	0.0	(0.0)	(0.0)	0.0	(0.0)
Estimated Benefits paid	(27.7)	(31.5)	(2.0)	(2.0)	(29.7)	(33.5)
Past service costs	1.1	0.1	0.0	1.2	1.1	1.3
Curtailment and settlements	0.0	0.0	0.0	0.2	0.0	0.2
31st March balance c/fwd	809.3	763.4	94.4	97.1	903.7	860.5

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2007/08 £m	2008/09 £m
1st April balance b/fwd	74.2	78.8
Expected return on assets	5.5	5.9
Actuarial gains / (losses)	(7.4)	(25.7)
Employer contributions	5.7	7.0
Contributions in respect of Unfunded Benefits	0.0	0.0
Contributions by scheme participants	2.8	3.1
Unfunded benefits paid	0.0	0.0
Benefits paid	(2.0)	(2.0)
31st March balance c/fwd	78.8	67.1

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

The actual return on scheme assets in the year was (£19.5m) (2007/08: (£2.6m)).

Scheme history:

	2004/05 £m	2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m
Present value of liabilities:					
Local Government Pension Scheme	(74.8)	(98.6)	(105.2)	(94.4)	(97.1)
Police Pension Scheme	(752.8)	(961.4)	(926.9)	(809.3)	(763.4)
Fair value of assets in the Local Government Pension Scheme	47.0	63.9	74.2	78.8	67.1
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(27.8)	(34.7)	(31.0)	(15.6)	(30.0)
Police Pension Scheme	(752.8)	(961.4)	(926.9)	(809.3)	(763.4)
Total	(780.6)	(996.1)	(957.9)	(824.9)	(793.4)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £793.4m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £666.0m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the local government 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 restricted to the level of employers contribution payable by the Authority.

Expected Future Contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Police Authority in the year to 31 March 2010 are £7.1m. Expected contributions for the Police Pension Scheme in the year to 31 March 2010 are £15.7m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Police pension scheme is governed by the Police Pensions Regulations 1987 and related regulations. An actuarial valuation has not been carried out as at 31 March 2009. Surrey Police Authority has followed the approach set out in the joint GAD/CIPFA paper "Assessment of Pension Liabilities for Disclosures for the Year 2008/2009", as realised in the Government Actuary's Department (GAD) model, in order to satisfy the disclosure requirements of the SORP. The accuracy of the outcome can only be assessed against the results of a full actuarial valuation as at 31 March 2009, and may be materially different from those results. The Local Government Pension scheme figures have been assessed by Hymans Robertson LLP, being based on the latest formal valuation of the Fund as at 31 March 2007, the next formal valuation being due as at 31 March 2010.

The principal actuarial assumptions used have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2007/08	2008/09	2007/08	2008/09
Long-term expected rate of return on assets in the scheme:				
Equity Investments	7.7%	7.0%	-	-
Bonds	5.7%	5.4%	-	-
Property	5.7%	4.9%	-	-
Cash	4.8%	4.0%	-	-
Rate of inflation	3.6%	3.1%	3.7%	3.0%
Rate of increase in salaries	5.1%	4.6%	5.2%	4.5%
Rate of increase in pensions	3.6%	3.1%	3.7%	3.0%
Rate for discounting scheme liabilities	6.9%	6.9%	6.9%	6.9%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.5 years			
Women	24.4 years			
Longevity at 65 for future pensioners:				
Men	22.6 years			
Women	25.5 years			

The police pension scheme is unfunded, and therefore has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	Asset Distribution 31 March 2008 %	Asset Distribution 31 March 2009 %
Equity investments	71%	73%
Bonds	19%	18%
Property	7%	6%
Other	3%	3%
Total	100%	100%

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The valuation of the Authority's retirement benefit liabilities as at 31 March 2009 includes an allowance for this change to the pension scheme. An allowance has also been made for life expectancy improvements.

Further information can be found in Surrey County Council's Pension Fund's Annual Report which is available on request from County Hall, Kingston Upon Thames, Surrey KT1 2DN.

History of experience Gains and Losses

The actuarial gains identified as movements on the Pensions reserve can be analysed into the following categories, measured as absolute amount and as percentage of assets or liabilities at 31st March each year:

	2004/05		2005/06		2006/07		2007/08		2008/09	
	£m	%	£m	%	£m	%	£m	%	£m	%
Local Government Pension Scheme:										
Difference between the expected and actual return on assets	1.7	3.7	8.5	13.3	(0.0)	(0.0)	(8.1)	(10.2)	(25.4)	(37.8)
Experience gains / (losses) on liabilities	(0.2)	0.3	(0.1)	0.1	0.0	0.0	4.4	(4.7)	(0.0)	0.0
Police Pension Scheme:										
Experience gains / (losses) on liabilities	36.0	(4.8)	(10.4)	1.1	32.2	(3.5)	9.4	(1.2)	1.1	(0.1)

Financing of Police Pensions

The service cost of employees is reflected in the Income & Expenditure Account and the liabilities are shown in the Balance Sheet. The in year cost of police pensions is financed with the contributions from police officers (old scheme 11% and new scheme 9.5%) and also a contribution from the employer at 24.2% of salary and operated through a pensions account. If there is a deficit on the Police Pensions Fund Account this is met by a transfer from the Income and Expenditure Account funded by the Home Office. Conversely, if there is a surplus this would be transferred to the Income and Expenditure Account for repayment to the Home Office.

The Pension Fund Account, detailed on page 31 above, shows a deficit of £8.4m, offset by a transfer from the Income and Expenditure Account, funded by a grant from the Home Office.

2. Income & Expenditure Account by Cost Type

	2007/08 £m	2008/09 £m
EXPENDITURE		
Police Pay, NI and Allowances	80.6	80.8
Police Staff Pay, NI, Superannuation & Allowance	68.7	71.2
Other Employee Expenditure	5.9	6.5
Total Employee Expenditure	155.2	158.5
Net Cost Police Pensions Scheme	30.8	20.9
Premises	7.8	9.3
Supplies and Services	25.1	26.9
Transport	4.6	4.9
Depreciation	10.4	23.0
Icelandic Bank Impairment Loss	0.0	0.3
Gross Operating Expenditure	233.9	243.8
INCOME		
Grants and Contributions	(24.7)	(27.7)
Sales	(0.8)	(0.8)
Fees and Charges	(2.7)	(3.2)
Rents	(0.5)	(0.5)
Total Income	(28.7)	(32.2)
Net Expenditure After Income	205.2	211.6
Gain or loss on disposal of fixed assets	0.1	(1.5)
Interest and Investment Income	(1.8)	(1.2)
Pension interest costs and expected return on pension assets	50.7	56.6
Net Operating Expenditure	254.2	265.5
Police Grants	(63.2)	(64.3)
Revenue Support Grant	(4.9)	(4.3)
National Non Domestic Rates	(28.9)	(30.7)
Precepts	(83.6)	(92.2)
(SURPLUS) OR DEFICIT FOR THE YEAR	73.6	74.0

2.1 Other Central Grants

The Authority received specific grants during the year which are targeted at specific activity, the following table details the grants received.

	2007/2008 £m	2008/2009 £m
Pension Top-Up	4.9	8.5
Police Community Support Officers	4.8	4.1
Crime Fighting Fund	4.1	4.1
Regional Allowance	1.4	1.4
Counter Terrorism	0.7	1.2
Special Priority Payments	1.0	1.0
DNA	0.7	0.7
IPLDP Training	0.4	0.5
BCU Fund	0.5	0.4
Invest to Save	0.4	0.4
Proceeds of Crime Act	0.2	0.1
Volume Crime Project	0.0	0.1
Capacity Building Scheme	0.1	0.0
Other Smaller Grants	0.1	0.2
Total	19.3	22.7

Pension Top-Up

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.

Police Community Support Officers

A Home Office grant towards the cost of Police Community Support Officers who provide a visible presence in the community with powers sufficient to deal with minor issues.

Crime Fighting Fund

A Home Office grant to support the expansion of police officer numbers.

Regional Allowance

The Home Office introduced a regional allowance payable to police officers for South East forces. The level of the allowance varied between forces. For Surrey officers it is £2,000 per annum.

Counter Terrorism

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

Special Priority Payments

A Home Office grant to reward police officers in the most difficult and demanding posts.

DNA

A Home Office forensic grant to support the use of DNA analysis in the detection of crime.

IPLDP Training

A Home Office grant issued to forces that have taken on the responsibility to undertake "The Initial Police Learning Development Programme" and is allocated on the basis of the number of probationers recruited to maintain the force strength.

BCU Fund

A Home Office grant for use by the Divisional Commanders to meet the needs of local residents in partnership with community groups.

Invest to Save

A grant from the Department of Health to improve the provision of medical and care services in custody centres for detainees and victims of crime.

Proceeds of Crime Act

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

Volume Crime Project

A Home Office grant to cover the costs of a pilot project to support evidence gathering by incorporating surveillance equipment into police officer headwear.

Capacity Building Scheme

To help the force achieve the Government's community engagement, by increasing the Special's Constabulary's numbers and effectiveness.

2.2 Audit Costs

In 2008/2009 the Audit Commission fee for external audit was £0.087m (2007/2008, £0.085m) and the Authority paid the Audit Commission for additional work of £0.021m.

2.3 Lease Costs

As at the 31st March 2009, The Authority had the following future obligations in respect of operating Leases:-

Vehicles, Plant, Furniture and Equipment

The Authority leases vehicles, photocopiers and pagers under the terms of an operating lease. The amounts paid under these arrangements in 2008/09 was £0.1m (2007/08 £0.2m).

Land and Buildings

The Authority leased 4 premises under operating lease arrangements during 2008/09, rental payments in 2008/09 were £0.5m (2007/08 £0.2m).

Commitments Under Operating Leases

The Authority was committed at 31st March 2009 to making payments of £0.7m under operating leases in 2009/10 which are mainly leases for land and buildings with a minor element for vehicles, plant and equipment. The table below provides the commitment for land & buildings:

	Leases expiring in 2009/10 £m	Leases expiring between 2010/11 to 2013/14 £m	Leases expiring from 2014/15 Onwards £m
Land and Buildings	£0.0	£0.1	£0.6

2.4 Publicity

In accordance with Section 5 of the Local Government and Finance Act 1986, the Authority is required to disclose total spending on publicity during the year. In 2008/2009 the Authority spent £0.6m on publicity, of which £0.1m related to staff advertising costs (£0.7m with £0.2m related to staff advertising in 2007/2008). Other publicity costs include statutory documents such as the Annual Reports for the Police Authority and the Chief Constable, the Policing Plan

and the production of Council Tax leaflets. The cost for these amounted to £0.1m (£0.1m for 2007/2008). The remaining costs mainly relate to radio, press and other advertisements to support campaigns against drink drive, the targeting of criminals living outside Surrey who commit crimes within Surrey (Operation Shield) and the national anti-terrorist hotline initiative together with the publication of the Force newspaper, Offbeat, which is made available to the public throughout the county.

2.5 Supply of Goods and Services to Other Police Authorities and Bodies

The Police Authority both generated estimated income and incurred expenditure of £4.8m (2007/2008, £4.4m) in respect of services provided to other Police Authorities and Bodies under the Local Authority (Goods and Services) Act 1970.

2.6 Sponsorship

The Authority is allowed by statute, to gain sponsorship, gifts and loans up to a value of 1% of the annual budget. Their estimated value for 2008/2009 was £0.1m (£0.1m in 2007/2008).

2.7 Official Funds

Surrey Police operates an official fund called the Welfare Fund with non charitable status that operates two accounts one of which does not form part of the main Authority accounts. The saving account is included in the cash balances and creditors

Receipts to this fund are as a result of donations. Payments from the fund are made to police widows and charities. Grants and loans are also made to officers and police staff of the Force where the cause is appropriate. Our internal audit provider carries out the audit of this fund account.

2.8 Senior Officers Remuneration

Remuneration paid to senior officers during 2008/2009 fell within the following bands:

Salary Band £	Police Officer Nos	Police Staff Nos	Total
50,000 - 59,999	92	15	107
60,000 - 69,999	22	6	28
70,000 - 79,999	12	5	17
80,000 - 89,999	1	2	3
90,000 - 99,999	1	2	3
100,000 - 109,999	0	1	1
110,000 - 119,999	1	0	1
120,000 - 129,999	0	0	0
130,000 - 139,999	1	1	2
Total	130	32	162

Amounts exclude pension costs, but include all payments, taxable allowances and the monetary value of other employee benefits. The table includes officers and staff on secondment to other agencies and their costs are fully recovered.

2.9 Members Allowance

The Surrey Police Authority under the powers conferred by the Police Act 1996 as amended by the Criminal Justice and Police Act 2001 and section 94 of the Police Reform Act 2002 adopted the following scheme of allowances.

In 2008/2009 the basic allowance was £10,243 whilst the positions noted below received the following allowances for additional responsibilities:

• Chairman	£12,247
• Vice Chairman	£ 6,123
• Panel Chairman	£ 4,117
• Committee Chairman	£ 3,009

2.10 Related Party Transactions

During the year transactions with related parties, not disclosed elsewhere within the Statement of Accounts were as follows: -

• Surrey County Council Pension Fund

Employer's pension contributions paid by the Authority to the Surrey County Council Pension Fund totalled £7.1m during 2008/2009.

• Surrey Police Authority Members

Member's allowances totalling £0.3m were paid to Surrey Police Authority members during 2008/2009.

No members of the Police Authority or members of their immediate family or household declared any positions of influence except for one who was the Chair of a local Borough Council Audit & Standards Committee.

• Surrey Police Senior Officers

No Senior Officers (ACPO ranks, Superintendents and Directors of Departments) within Surrey Police or members of their immediate family or household declared any positions of influence.

3. BALANCE SHEET NOTES

3.1 Capital Account

This table shows details of expenditure on capital items as defined within the Accounting Policies. Capital expenditure increases the asset worth of the Authority, as shown in the Balance Sheet and associated note 3.2 (Fixed Assets).

In addition, capital expenditure is also incurred on rental payments due under the finance leases which reduces the long term liability of the Authority as shown in note 3.10 (Long Term Liabilities).

EXPENDITURE	2007/ 2008 £m	2008/ 2009 £m
Building	2.3	2.5
Vehicles	1.5	2.3
Equipment	0.5	1.3
Information technology systems	5.0	5.5
Communication technology	0.5	0.0
TOTAL EXPENDITURE	9.8	11.6
FINANCING	2007/ 2008 £m	2008/ 2009 £m
Home Office Capital Grants Applied	3.8	2.8
Capital Receipts Applied	4.6	7.1
Direct Revenue Financing	0.3	1.6
Other Contributions	1.1	0.1
TOTAL FINANCING	9.8	11.6

Outstanding Contracts and Commitments:

At 31 March the significant capital contractual commitment of £1.3m relating to the extension of the Guildford Custody Centre. The period of contractual liability under this scheme will expire in 2009.

In addition as at the 31 March there was an order of £0.3m relating to the upgrade of the call manager system allowing greater mobile connectivity.

3.2 Fixed Assets

Changes in Fixed Assets during the year are summarised below:

	Intangible Fixed Assets	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Surplus Assets held for disposal	Total
	£m	£m	£m	£m	£m	£m
Gross Book Value at 01.04.2008	6.2	114.0	40.0	2.6	2.6	165.4
Accumulated Depreciation at 01.04.2008	(1.7)	(8.7)	(19.8)	0.0	0.0	(30.2)
Net Book Value at 1.04.2008	4.5	105.3	20.2	2.6	2.6	135.2
Movement in 2008/09						
Additions	0.8	1.0	4.5	4.6		10.9
Lease Additions		2.5	0.3			2.8
Disposals and Decommissions	(1.3)	(4.4)	(4.2)			(9.9)
Transfers	(0.7)	1.2	0.1	(0.6)		0.0
Surplus Assets		(2.7)			2.7	0.0
Revaluations		5.7				5.7
Depreciation	(0.3)	8.1	(2.3)			5.5
Impairments		(24.1)				(24.1)
Net Book Value at 31.03.2009	3.0	92.6	18.6	6.6	5.3	126.1
Gross Book Value at 31.03.2009	5.0	93.2	40.7	6.6	5.3	150.8
Accumulated Depreciation at 31.03.2009	(2.0)	(0.6)	(22.1)	0.0	0.0	(24.7)

All operational police stations and offices were valued by the Bruton Knowles property consultants at 31 March 2009 on the basis of open market value in existing use. All police houses were valued by Bruton Knowles property consultants at 31 March 2007 on the basis of open market value in existing use with the exception of properties vacant pending disposal, (surplus assets), which were valued at market value. The values of police houses have been assessed for impairment and have been reduced to reflect the economic environment using the housing index from the Office of National statistics.

At 31 March 2009 the Authority's principal assets consisted of 42 operational stations and offices (including custody and control centres), 112 police houses and 717 police vehicles.

3.3 Financial Instruments

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

	Long Term		Current	
	31st March 2008 £m	31st March 2009 £m	31st March 2008 £m	31st March 2009 £m
Financial liabilities at amortised cost	0.0	0.0	(16.0)	(17.5)
Financial liabilities at fair value through income & expenditure	0.0	0.0	0.0	0.0
Total Borrowings	0	0	(16.0)	(17.5)
Loans and receivables	0.0	0.0	31.2	28.2
Financial Assets at fair value through income & expenditure	0.1	0.1	0.0	0.0
Unquoted equity investment at cost	0.0	0.0	0.0	0.0
Total Investments	0.1	0.1	31.2	28.2

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

The Authority had in place a scheme that enabled police officers to apply for a loan which can only be used towards the purchase of a property. The majority of these advances were made prior to 1st April 2006 (the scheme ceased during 2006/07) and are not classified as financial instruments but are treated as long term debtors that are recoverable when the officers leave Surrey Police or sell the property against which the advance has been made. However three advances - total carrying value £0.1m – were made after 1st April 2006 prior to the scheme closing, and are classified as assets held at fair value through the income & expenditure account. All income associated with these advances is credited to the Income and Expenditure Account when it becomes receivable by the Authority.

The Authority had an employee car loan scheme that made advances to employees for the purchase of vehicles at reduced interest rates. These loans have been excluded from the accounting requirements for financial instruments due to the low value of the advances made.

3.4 Financial Instruments Gains or Losses

No gains or losses were recognised in the Income and Expenditure Account and the STRGL in relation to financial instruments in either 2007/08 or 2008/09. Short term receivables or payables (i.e. trade debtors, trade creditors and cash) with no stated interest amount are measured at the original invoice or transaction amount.

3.5 Nature and Extent of Risks Arising From Financial Instruments

The Authority'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 Authority;
- Liquidity Risk – the risk that the Authority 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 authority as a result of changes in such measures as interest rates and stock market movements.
- Foreign Exchange Risk – the probability of loss arising from an adverse movement in foreign exchange rates.
- Market Failure Risk – The risk that financial loss might arise as a result of a failure in financial markets.

The Authority'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 Director of Finance and Services is responsible for implementing the Authority'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 Authority by Surrey County Council under the terms of a service level agreement.

• **Credit and Counterparty Risk**

A prime objective of the Authority's treasury management activities is the security of the principal sums it invests. The Authority 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.

Surrey Police Authority'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 £13.6m (last year £15.1m), and cash and temporary loan investments £14.6m (last year £16.1m). The Authority does not have any material exposure to concentrations of credit risk with any one counterparty.

• **Liquidity Risk**

The Authority 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 Authority under a service level agreement by Surrey County Council, whose remit is to aggregate and invest any Surrey Police Authority surpluses with its own balances, and to pay interest based on its quarterly internal borrowing rate.

Throughout 2008/09 the Authority had sufficient available cash balances to meet its daily requirements, without having to borrow funds to meet any short term deficits, and there was no external borrowing outstanding as at 31st March 2009. If necessary, the Authority is able to borrow from the Public Works Loans Board.

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

• **Interest Rate Risk**

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

Since the Authority's 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 this Authority's annual budget setting process, and allows for any adverse changes to be accommodated.

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

As at 31st March 2009, the Authority had no borrowing outstanding but held £14.6m in variable rate loan investments (last year £16.1m). If interest rates had been 1% higher, with all other variables held constant, additional interest receivable of £0.2m would have been received. The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

- **Price Risk**

The Authority does not hold any investments in equity shares and therefore is not exposed to potential losses arising from movements in share prices.

The Authority does hold £0.1m of long term debtors relating to loans to police officers which could only be used for the purchase of property, which are classified as held at fair value through the income & expenditure account (see accounting policies 43 Financial Assets). Any movements in the fair value of these assets will result in gains or losses being recognised in the income & expenditure account. It is estimated that a general shift of 5% in the value of the properties purchased with these loans (positive or negative) would thus have resulted in a gain or loss of £7,000 being recognised in the income & expenditure account for 2008/09, assuming all other factors remain constant.

- **Foreign Exchange Risk**

The Authority does not hold any financial assets or liabilities denominated in a foreign currency and therefore has no exposure to loss arising from exchange rate movements.

- **Market Failure Risk**

The Authority was exposed to additional market failure during 2008/09 due to the systematic failures within the Banking Industry and funds held by Surrey County Council on behalf of Surrey Police in foreign deposit banks. Please see the note on Icelandic Banks for additional information.

3.6 Long Term Debtors

Long term debts are those falling due after one year. At 31 March 2009 the Authority's long term debtor balance of £2.6m consisted of outstanding advances made to employees predominantly those made under the housing scheme.

3.7 Stock

Values of stocks held by the force of police clothing, supplies, vehicle parts and equipment were £0.3m (£0.3m for 2007/2008).

3.8 Short Term Debtors

Debts outstanding at 31 March 2009 can be analysed as follows:

	31 March 2008	31 March 2009
	£m	£m
Short Term Debtors		
HM Revenue & Customs	1.2	1.4
Seconded Officers	0.9	1.2
Training	0.0	0.1
Contributions from Councils and other Authorities	1.2	0.7
Police Services	0.4	0.2
Grants	4.9	4.0
Employee Related	1.2	0.7
Other Organisations: Private Hire	0.1	0.0
Rent & Rates	0.2	0.3
Sundry Debtors	0.0	0.1
SUB TOTAL	10.1	8.7
Payments in Advance		
Police	4.3	4.3
IT Maintenance	0.4	0.3
Insurance	0.2	0.2
Leases	0.1	0.1
SUB TOTAL	5.0	4.9
TOTAL SHORT TERM DEBTORS	15.1	13.6

Payments made in advance of £4.9m include £1.8m of pay made to police officers in March 2009 for work undertaken in April 2009, and £2.5m of April 2009 pension payments paid monthly in advance in March 2009.

3.9 Short Term Creditors

Payments due at 31 March 2009 can be analysed as follows:

	31 March 2008	31 March 2009
	£m	£m
Short Term Creditors		
Building works/Furniture & Equipment	1.3	0.9
Contributions	0.2	0.3
General Maintenance/Cleaning	0.8	0.3
Holding accounts - seized funds & donations	0.4	0.6
HM Revenue & Customs	3.5	3.8
Insurance/Legal Costs	0.5	0.4
IT Equipment/Software/Maintenance	0.5	0.6
Operational Costs	0.6	0.5
Printing/ Stationery/Publications	0.1	0.0
Publicity & Advertising	0.1	0.1
Rent/Rates/Utilities	0.3	0.6
Staff Costs/Consultants	1.7	3.1
Telephone/Communications	0.7	0.1
Training & Subscriptions	0.3	0.3
Transport/Vehicles	0.9	0.4
Sundry	1.1	0.3
Business Generation	0.3	0.4
SUB TOTAL	13.3	12.7
Receipts in Advance		
Contributions, Donations and Sponsorship	0.1	1.2
Payroll	0.5	0.4
Home Office Grant	1.1	0.1
SUB TOTAL	1.7	1.7
TOTAL SHORT TERM CREDITORS	15.0	14.4

3.10 Long Term Liabilities

Finance Lease

Equipment - the Authority entered into 2 additional 2 year leases for ICT equipment (ARC Telephony System and Automatic Call Distribution leases) under finance lease arrangements during 2008/09. The rentals payable under these and existing arrangements were £0.7m during 2008/09, of which finance costs of £0.04m were charged to the Income & Expenditure Account as interest payable.

Land and Buildings - the Authority has entered into a new 125 year lease during 2008/09 under finance lease arrangements. Total rental payments under this lease and existing arrangements was £0.14m during 2008/09, of which finance costs of £0.04m were charged to the Income & Expenditure as interest payable.

Fixed assets stated in the balance sheet include a number of operational assets acquired under a finance lease. Changes during 2008/09 financial year were as follows:

	2007/08			2008/09		
	Land & Buildings	Vehicles, Plant, Furniture & Equipment	TOTAL	Land & Buildings	Vehicles, Plant, Furniture & Equipment	TOTAL
	£m	£m	£m	£m	£m	£m
Gross Historic Cost	1.0	0.0	1.0	1.3	1.3	2.6
Less accumulated depreciation as at 1st April	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Net Book Value at 1st April	1.0	0.0	1.0	1.2	1.3	2.5
Additions - New Finance Leases	0.3	1.3	1.6	2.5	0.3	2.8
Less Depreciation	(0.1)	0.0	(0.1)	(0.1)	(0.6)	(0.7)
Net book value at 31st March	1.2	1.3	2.5	3.6	1.0	4.6

As at 31st March 2009, the Authority was committed to making the following payments in respect of finance leases in the following years:

	Obligations payable in 2009/10 £m	Obligations payable between 2010/11 to 2013/14 £m	Obligations payable from 2014/15 Onwards £m
Land and Buildings	2.7	0.5	0.3
Vehicles, Plant and Equipment	0.4	0.1	0.0
Total	3.1	0.6	0.3

3.11 Icelandic Banks

All treasury management services for Surrey Police are provided by Surrey County Council (SCC). Surrey Police's surplus funds are merged with the Council's funds, and invested in the name of SCC.

Early in October 2008, a number of Icelandic banks went into administration. SCC had £20m deposited in two of these institutions - Landsbanki, and Glitnir. Surrey Police's share of those deposits amounted to £1.5m – £0.8m in Landsbanki and £0.7m in Glitnir.

Accounting guidance issued in May 2009 requires that impairments be made for 5% of balances held in Landsbanki but that no impairment be made for balances held in Glitnir. The impairment for Surrey Police's share of the balance held at Landsbanki would amount to £0.2m. These high levels of recovery are based on the assumption that local authorities will be treated as preferential creditors. If preferential creditor status is not achieved, the recoverable amount may only be 33p in the £ for Landsbanki and 40p in the £ for Glitnir. In these circumstances, the loss for Surrey Police could increase to £1m.

All monies within these Icelandic Banks are currently subject to the respective administration and receivership processes. The amount and timings of payments to depositors such as SCC will be determined by the administrators/receivers

In order to adopt a prudent approach, Surrey Police has not only charged the impairment of £0.2m to the account but has also set up a provision against potential losses of a further £0.4m. This reflects the continuing uncertainty regarding the recoverability of those deposits. The reserve has been calculated on the prudent expectation that 60% of deposits will be recoverable, leaving £0.4m to be impaired over and above the impairment of £0.2m already charged. Of the £0.4m - £0.1m has been charged against the 2008/09 Account and £0.3m will be charged against the 2009/10 Account.

The provision includes no account for lost interest which is treated in the 2008/09 Accounts on a cash basis. In 2008/09, £0.08m of interest expected from Icelandic Bank deposits was not received.

3.12 Capital Liabilities:

The capital accounts shown in the following table are reported within long term liabilities in order to better reflect the deferred commitment to future capital expenditure contained therein.

CAPITAL LIABILITIES				
	Capital Contributions Deferred £m	Capital Grant £m	Earmarked Capital Contribution £m	Total £m
Balance at 1 April 2008	5.7	1.0	1.4	8.1
Amounts received during year	3.0	2.3	0.7	6.0
Financing of Fixed Assets	0.0	(2.8)	(1.8)	(4.6)
Deferred capital contributions applied	(1.3)	0.0	0.0	(1.3)
Balance at 31 March 2009	7.4	0.5	0.3	8.2

Capital Contributions Deferred

This account contains funds matched to specific capital expenditure. These funds are released to the Capital Adjustment Account over the life of the fixed asset(s) to which the expenditure relates. Grant funding of £2.8m was deferred in 2008/2009 together with £1.8m of contributions. Deferred capital contributions of £1.3m were applied in 2008/2009.

Capital Grant

All capital grants received are credited to this account and used to fund capital expenditure as appropriate. Grants when applied, are transferred to the Capital Contributions Deferred Account and released to the Capital Adjustment Account over the life of the specific fixed asset(s) to which they relate.

Earmarked Reserve for Capital Costs

This account contains funds assigned for specific areas of capital expenditure not incurred as at 31 March 2009. These funds will be carried forward and applied to match the specific capital expenditure when incurred in future years.

3.13 Reserves

Movement in Operating (Revenue) Resources

	OPERATING (REVENUE) RESERVES			
	Balance as at 01 April 2008 £m	Appropriations to/from revenue £m	Actuarial gains and losses £m	Balance as at 31 March 2009 £m
Earmarked Reserves				
Local	1.2	(0.2)	0.0	1.0
Insurance	2.1	(0.1)	0.0	2.0
Training	1.7	(1.7)	0.0	0.0
Ill Health	0.8	(0.3)	0.0	0.5
Healthcare	0.7	(0.7)	0.0	0.0
Olympics	0.0	0.3	0.0	0.3
Sub Total Earmarked Reserves	6.5	(2.7)	0.0	3.8
General Balances	10.6	0.7	0.0	11.3
Pension Reserve	(824.9)	(50.8)	82.3	(793.4)
Total Revenue Reserves	(807.8)	(52.8)	82.3	(778.3)

Local Reserves

These were established to encourage longer term financial planning by local budget holders.

Insurance Reserve

This represents a reserve for insurance liabilities. The reserve is intended to cover likely insurance liabilities that occur and to cover risks in the areas of motor insurance, employers and public liability.

Training Reserve

This reserve was originally established to meet targeted training initiatives to support the Force's strategy of capable and supported employees. During 2008/09 it was identified that the balance on this reserve was no longer required for its original use and was released to general balances.

Ill Health Reserve

This reserve is to meet the cost of police officers ill health commutations in the future. For each ill health the Authority have to provide for the capital equivalent charge that is required to be paid into the new police pension account.

Healthcare Reserve

This reserve was originally established to smooth out the costs from one year to the next from the self funded healthcare provision within the force. During 2008/09 it was identified that this reserve was no longer required for its original use and was released to general balances

Olympics Reserve

This reserve was established to cover the additional staff costs of Surrey's role in the 2012 Olympics.

General Balances

These represent the cumulative surplus of operating (revenue) income over operating (revenue) expenditure, which has not been set aside in a specific reserve, and is available to protect the Authority against unforeseen future events. The balance increased by £0.7m during 2008/2009 as a result of releasing some earmarked reserves that countered the draw from the income and expenditure account, generating a total of £11.3m at 31 March 2009.

The Authority has planned to spend £5.2m from balances during 2009/2010.

Pension Reserve

FRS 17 Retirement Benefit was fully implemented in 2003/2004, resulting in the Authority fully recognizing the outstanding pension liability on the Balance Sheet for the first time.

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

Where the pension payments made for the year in accordance with the scheme requirements do not match the change in the Authority'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 Income and Expenditure Account.

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

	Police Pension Scheme		Local Government Pension Scheme		Total	
	2007/08 £m	2008/09 £m	2007/08 £m	2008/09 £m	2007/08 £m	2008/09 £m
Opening Balance	(926.9)	(809.3)	(31.0)	(15.6)	(957.9)	(824.9)
Actuarial (Losses)/Gains	176.7	96.6	18.0	(14.3)	194.7	82.3
Appropriation from Revenue Account to offset FRS17 composite items	(86.8)	(82.2)	(8.3)	(7.0)	(95.1)	(89.2)
Appropriation to Revenue Account to reconcile back to taxation requirement	27.7	31.3	5.7	7.1	33.4	38.4
Closing Balance	(809.3)	(763.6)	(15.6)	(29.8)	(824.9)	(793.4)

Capital Reserves

Details of the movements on the capital reserves for 2008/2009 are shown in the table below.

	CAPITAL RESERVES		
	Usable Capital Receipts £m	Capital Adjustment Account £m	Revaluation Reserve £m
Balance at 1 April 2008	5.5	120.7	0.1
Disposal proceeds	5.6	0.0	0.0
Cost of Disposed/Decommissioned Assets	0.0	0.0	0.1
Gains or Losses on revaluations of fixed assets	0.0	(12.9)	5.8
Usable receipts applied	(7.0)	7.0	0.0
Revenue resources applied	0.0	1.6	0.0
Write down long term debt	0.0	(0.1)	0.0
Deferred capital contributions applied	0.0	1.3	0.0
Asset Disposals	0.0	(6.3)	(0.1)
Depreciation/MRP	0.0	(9.0)	0.0
Balance at 31 March 2009	4.1	102.3	5.9

Usable Capital Receipts

This reserve comprises net proceeds arising from the sale of capital assets e.g. houses & vehicles. The use of these receipts is limited by regulation (Part1 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.

Accounting Reserves

Both the Capital Adjustment Account and Revaluation Reserve are accounting reserves and consequently the balances therein do not represent resources available to the authority.

(i) Capital Adjustment Account

The account accumulates the write down of the historical cost of fixed 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 fixed assets consumed and the capital financing set aside to pay for them.

(ii) Revaluation Reserve

This reserve will record the accumulated gains on the fixed assets held by the Authority arising from increases in value, as a result of inflation or other factors. Whilst these gains arising from revaluations increase the net worth of the Authority from the 1st April 2007 they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

1 Reconciliation of Income and Expenditure Surplus to Income and Expenditure Activities	2008/09	
	£m	£m
Gross Expenditure as per Income and Expenditure Account	243.8	
<i>Less (i.e Add back):-</i>		
Depreciation	(23.0)	
Adjust for FRS17 Civilian Pension	0.9	
Adjust for FRS17 Police Pension	4.9	
Finance Lease Interest shown elsewhere	(0.1)	
Impairment of Temporary Investments	0.2	
Adjustment for movement in employee debtors	(0.4)	
Adjustment for movement in creditors	0.5	
Adjustment for movement in stocks/wip	0.0	
Revenue Activities Cash Outflow		226.8
Gross Income As Per Income and Expenditure Account	(223.7)	
Adjust for decrease in debtors	(1.0)	
Revenue Activities Cash Inflow		(224.7)
INCOME AND EXPENDITURE ACTIVITIES NET CASHFLOW		2.1

2 Analysis of Movement In Cash and Cash Equivalents	As At 31 March 2008	As At 31 March 2009	Movement in Year
	£m	£m	£m
Cash With Accounting Officers	0.1	0.1	0.0
Temporary Loan Investments	16.1	14.6	1.5
Cash Overdrawn	(1.0)	(3.2)	2.2
Net Cash Inflow/Outflow	15.2	11.5	3.7

3 Analysis of Movement In Other Current Assets	As At 31 March 2008	As At 31 March 2009	Movement in Year
	£m	£m	£m
Debtors (inc Payments in Advance)	15.1	13.6	(1.5)
Short Term Creditors (Inc receipts in advance)	(15.0)	(14.4)	0.6
Stock and WIP	0.3	0.3	0.0
Net Movement In Other Current Assets (= net cash inflow)	0.4	(0.5)	(0.9)

4 Analysis of Revenue Government Grant & Contributions Income	2007/2008	2008/2009
	£m	£m
Transitional Funding	0.5	0.4
Crime Fighting Fund	4.1	4.1
PCSO Grant	4.8	4.1
Pension Top Up	4.9	8.5
Regional Allowance	1.4	1.4
Special Priority	1.0	1.0
Invest to Save	0.4	0.4
DNA	0.7	0.7
Single Counter Terrorism	0.7	1.2
IPLDP Training	0.4	0.5
Other Central Grants	5.8	5.4
Total Government Grant Income	24.7	27.7

Temporary Loan Investments

The Surrey Police Authority treasury management function is carried out in conjunction with that of Surrey County Council. Daily transfers of cash are made between the accounts of the two Authorities in the form of loans from Surrey Police Authority to Surrey County Council.

External Borrowing

As at 31 March 2009, there were no external loans outstanding.

3.15 Contingent Liabilities

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Police Authority at 31 March 2009, they exclude potential costs where the liability is not yet established and the amounts are uncertain. There were no contingent liabilities identified for 2008/2009.

3.16 Private Finance Initiative

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

Airwave is a national PFI scheme for a replacement radio communication system. The Authority has contracted with an external telecommunications provider to develop the necessary infrastructure, in return for an annual rental payable over a 15-year contract period. The contract, signed in 2000, is based on a framework or core agreement, which has been drafted following negotiations between PITO (Home Office Police and Information Technology Organisation), Police Authorities in Great Britain and a consortium of external telecommunications providers.

3.17 Post Balance Sheet Events

The Authority has no material post balance sheet events to report as at 30 September 2009.

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

The changes in actuarial deficits or surpluses that arise because, either events have not coincided with the actuarial assumptions made for the last valuation; or the actuarial assumptions have changed.

AMORTISATION

An annual charge to the overall Authority budget to reduce the value of an asset to zero over a period of time.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure which adds to the life or value of an existing fixed asset.

CAPITAL PROGRAMME

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

CAPITAL RECEIPTS

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

CREDITORS

Individuals or organisations to which the Authority 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 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 Authority money at the end of the financial year.

DEFERRED CHARGES

Expenditure which may properly be deferred, but does not result in a tangible asset.

DEFINED BENEFIT SCHEME

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

An annual charge to the overall Authority budget to reflect the extent to which an asset has been worn out or consumed during the financial year.

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.

FIXED ASSETS

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

GENERAL FUND BALANCES

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

IMPAIRMENT

A reduction in the value of a fixed 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 asset or a significant adverse change in the statutory or regulatory environment in which the authority operates.

INCOME AND EXPENDITURE ACCOUNT

The main revenue fund of the Authority into which the precept, government grants and other income are paid, and from which the costs of providing services are met.

INTANGIBLE ASSETS

Intangible assets occur when capital expenditure does not result in the acquisition of a fixed 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.

INVESTMENT (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.

LEASES - FINANCE

Agreements whereby ownership of a fixed asset transfers to the lessee and is shown on the Balance Sheet.

LEASES - OPERATING

Agreements whereby ownership remains with the lessor, and annual rental is charged directly to the Income and Expenditure Account.

MINIMUM REVENUE PROVISION (MRP)

The statutory minimum amount which an authority is required to set aside on an annual basis as a provision to redeem debt.

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 Authority by the Home Office to support its revenue expenditure. It is a fixed sum calculated by the Government on an assumed needs basis.

PRECEPTS

An amount determined by the Police Authority (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

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 increase; 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.

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.

SPONSORSHIP

The voluntary provision of non-public fund, services, equipment or other resources, which enables the police to enhance or extend the normal service provided.

WORK IN PROGRESS

The cost of work done on an incomplete project as at the end of the year.