

SURREY POLICE AUTHORITY

STATEMENT OF ACCOUNTS

2010/2011

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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, the accounts therefore record all the expenditure and income for the year ending 31st March 2011. The accounting statements, the Core Financial Statements, which follow this foreword have been prepared in accordance with the 2010 Code (Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 Based on International Financial Reporting Standards) issued by CIPFA (Chartered Institute of Public Finance & Accountancy) and comprise of:

- Movement in Reserves Statement. This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's service, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance for the year before any discretionary transfers to or from earmarked reserves undertaken by the Authority.
- Comprehensive Income and Expenditure Statement. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Surrey Police Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- Balance Sheet. This statement shows the value as at the 31st March 2011 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is that which the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- Cash Flow Statement. This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

The Core Financial Statements are supported by various notes to the accounts including the Accounting Policies 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 2010/2011, was set at £215.8m (2009/2010, £215.4m), but was reduced mid-year by the government's reduction in grant funding of £1.4m to £214.4m, and was funded as follows:

	2009/2010 £m	2010/2011 £m
Home Office Police Grants	66.1	68.0
Non Domestic Rates	29.0	31.8
Revenue Support Grant	6.7	4.6
Crime Fighting Fund	4.1	4.1
Counter Terrorism Grant	1.0	1.0
Community Support Officers	4.3	4.5
Additional Rule 2 Grants	3.6	2.1
Total Central Support	114.8	116.1
Gross Council Tax Requirement	95.4	98.3
General Reserves	5.2	0.0
Total Funding	215.4	214.4

All of the above is 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 is 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 £214.4m budget (2009/2010 £215.4m) 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 2010/2011 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 budgeted to spend £214.4m in 2010/2011 after incorporating a mid-year cut in government funding of £1.4m.

Against this budget, expenditure of £213.2m was incurred resulting in an under spend of £1.2m against the budget which was taken to reserves. This is summarised in the following table.

	£m
Gross Budget after mid-year reduction in government funding	214.4
Out-turn Expenditure	213.2
Gross Variation	1.2
To/(from) Local Reserves	0.0
To/(from) General Balances	1.2

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

The variance is attributable to the Force's austerity drive, in order to comply with Government funding reductions in the current and future years.

Detailed analysis of actual expenditure for the year ended 31st March 2011 can be seen in the Comprehensive Income and Expenditure Statement.

4 Capital Expenditure

Surrey Police Authority approved a capital budget of £12.4m for 2010/2011 (£11.5m in 2009/2010) which, combined with prior year budget approvals brought forward on incomplete schemes, increased the budget to £18.2m (£15.2m in 2009/2010). During the year the budget was adjusted twice; firstly in the application of IFRS to leases which resulted in the transfer of £0.1m from capital to revenue, and secondly, the Capital Strategy Board authorised the removal of £5.0m of capital budget to reflect a more realistic expenditure profile. The effect of these two adjustments was to reduce the capital budget (including prior year budget approvals) to £13.1m. This was then reduced by a further £0.5m to £12.6m with the removal of brought forward budgets for projects which completed during the year. Noting that capital schemes by their nature exceed a financial year, actual expenditure of £10.3m (£10.0m in 2009/2010) was incurred, which was funded by capital grants, capital receipts, revenue and third party contributions. The under spend is to be carried forward to 2011/2012. The major elements that continue into 2011/2012 are:

Enterprise (CIS Development)
 Mobile Data
 ANPR Fixed Sites
 Salfords Custody Suite

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

5 Changes To Accounting Policies

Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the Financial Statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following explains the differences between the amounts presented in the 2009/10 Financial Statements and the equivalent amounts presented in the 2010/11 Financial Statements:

Assets Held for Sale

Assets Held for Sale prior to the introduction of IFRS were held at carrying value under the Long Term Assets heading on the Balance Sheet. Under IFRS these assets must meet specific criteria to be classified as Held for Sale, and are held at the lower of carrying value, or market value less costs to sell. Assets Held for Sale are shown as Current Assets on the Balance Sheet.

The following amendments have been made to the Financial Statements to account for Assets Held for Sale under the IFRS Code:

- The opening Balance Sheet as at 1 April 2009 has been restated for assets classified as Held for Sale. Assets that do not meet the criteria remain classified as Long Term Assets under the Property Plant and Equipment heading.
- The 2009/10 Financial Statements have been restated to reflect Assets Held for Sale meeting the required criteria.
- The 2009/10 Financial Statements have been restated for assets classified as Held for Sale and sold during 2009/10. This has resulted in the profit on the sale of assets increasing by £0.1m.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the IFRS Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increased their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Long-term employee benefits

Surrey Police pension schemes are accounted for under IAS 19 where any obligation arising from other long-term employee benefits that depend on length of service, need to be recognised when service is rendered. As injury awards under the Police schemes are dependent on service, the liability expected to arise due to injury awards has been valued. This has resulted in the pension liability increasing by £31.3m, (£17.8m in the 1 April 2009 Balance Sheet and £13.5m in the 31 March 2010 Balance Sheet).

Leases

The criteria for a lease to be classified as a finance lease is different under IFRS and have resulted in 3 finance leases being reclassified as operating leases (mainly due to the term of the lease not being for the major part of the economic life of the asset). This results in the related capital charges being reversed and the following charges being made to the Comprehensive Income and Expenditure Statement:

	Transition 1 April 2009 £m	2009/10 £m	Total Impact £m
IFRS revenue charges	0.4	0.0	0.4
Less MRP charges reversed	(0.1)	0.0	(0.1)
Less interest charges reversed	(0.1)	0.0	(0.1)
IFRS Impact	0.2	0.0	0.2

Government Grants and Contributions

Under the IFRS Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a Grants Deferred Account and recognised as income over the life of the assets which they were used to fund.

The Financial Statements have been amended as follows to account for Government Grants and Contributions:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Deferred grants recognised as income in 2009/10 have been reversed from the Comprehensive Income and Expenditure Statement.
- Capital grants and contributions received during 2009/10 have been recognised in the Comprehensive Income and Expenditure Statement and either transferred to the Capital Grants Unapplied Account within the reserves section of the Balance Sheet, or applied to expenditure and transferred to the Capital Adjustment Account.

Cash and Cash Equivalents

Short Term Investments are classified as Cash and Cash Equivalents under the IFRS Code. They are still held as Current Assets therefore only the heading on the Balance Sheet changes.

Impairments

Under the IFRS Code all impairments are recognised in the Revaluation Reserve up to the balance for that particular asset, there is no distinction between impairments due to the clear consumption of economic benefit and other impairments (i.e. general fall in prices) as there was under the previous arrangement. There are no transition requirements to the

Financial Statements as Surrey Police Authority had no impairments during the transition period.

Other Changes to Accounting Policies

Depreciation

With the implementation of the Authority's new asset management system, the policy of charging depreciation has changed to more accurately reflect the life of the asset. Depreciation previously commenced in the first full year after acquisition, and now commences in the month after capitalisation.

Change from Retail Prices Index to Consumer Prices Index for pension increases

In the UK Budget Statement on 22 June 2010, the Chancellor of the Exchequer announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Surrey Police Authority's Pension Fund liability in 2010/11 by £147.0m (Police Pension £127.1m, Local Government Pension Scheme £19.9m) and has been recognised as a part service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

The total financial implication of the above changes on the opening IFRS Balance Sheet as at 1 April 2009 and 2009/10 Financial Statements is shown below:

Opening Balance Sheet Extract as at 1 April 2009

	UK GAAP (SORP) as restated in 2009/10 accounts 01-Apr-09 £m	Assets Held for Sale 01-Apr-09 £m	Employee Benefits 01-Apr-09 £m	Leases 01-Apr-09 £m	Capital Grants 01-Apr-09 £m	Cash and Cash Equivalents 01-Apr-09 £m	Prior year adjustment for depreciation 01-Apr-09 £m	IAS 19 Pension Liability adjustment 01-Apr-09 £m	IFRS (The Code) 01-Apr-09 £m
Property, Plant & Equipment	123.1	(1.9)		(1.7)			(4.1)		115.4
Intangible Assets	3.0						(1.0)		2.0
Long Term Assets	128.7	(1.9)	0.0	(1.7)	0.0	0.0	(5.1)	0.0	120.0
Short Term Investments	14.6					(14.6)			0.0
Cash and Cash Equivalents	0.0					11.5			11.5
Assets Held for Sale	0.0	1.8							1.8
Current Assets	30.5	1.8	0.0	0.0	0.0	(3.1)	0.0	0.0	29.2
Short Term Creditors									
Bank Overdraft	(3.1)					3.1			0.0
Creditors	(16.3)		(1.6)						(17.9)
Current Liabilities	(19.4)		(1.6)	0.0	0.0	3.1	0.0	0.0	(17.9)
Provisions	(0.1)								(0.1)
Other Long Term Liabilities									
Deferred Liability	(4.0)			1.7					(2.3)
Deferred Capital Contributions	(8.2)				8.2				(0.0)
Defined benefit pension scheme liability	(793.4)							(17.8)	(811.2)
Long Term Liabilities	(805.7)	0.0	0.0	1.7	8.2	0.0	0.0	(17.8)	(813.6)
Net Assets	(665.9)	(0.1)	(1.6)	0.0	8.2	0.0	(5.1)	(17.8)	(682.3)
Usable Reserves									
General Balances	11.3			(0.2)					11.1
Capital Grants Unapplied	0.0				0.8				0.8
Unusable Reserves									
Capital Adjustment Account	102.3	(0.1)		0.2	7.4		(5.1)		104.7
Pension Reserve	(793.4)							(17.8)	(811.2)
Accumulated Absences Account	0.0		(1.6)						(1.6)
Total Reserves	(665.9)	(0.1)	(1.6)	0.0	8.2	0.0	(5.1)	(17.8)	(682.3)

2009/10 Balance Sheet Extract

	UK GAAP (SORP) as per 2009/10 statement of accounts	2008/09 IFRS Adjustments	Assets Held for Sale	Employee Benefits	Leases	Capital Grants	Cash and Cash Equivalents	Prior year adjustment for depreciation	IAS 19 Pension Liability adjustment	IFRS (The Code)
	31-Mar-10	31-Mar-10	31-Mar-10	31-Mar-10	31-Mar-10	31-Mar-10	31-Mar-10	31-Mar-10	31-Mar-10	31-Mar-10
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Property, Plant & Equipment	119.4	(7.7)	(0.9)		0.1			(0.3)		110.6
Intangible Assets	2.4	(1.0)						(0.3)		1.1
Long Term Assets	124.1	(8.7)	(0.9)	0.0	0.1	0.0	0.0	(0.6)	0.0	114.0
Short Term Investments	15.0	(14.6)					(0.4)			0.0
Cash and Cash Equivalents	0.2	14.6					(2.4)			12.4
Assets Held for Sale	0.0	1.8	1.1							2.9
Current Assets	31.3	1.8	1.1	0.0	0.0	0.0	(2.8)	0.0	0.0	31.4
Short Term Creditors										
Bank Overdraft	(2.8)						2.8			0.0
Creditors	(22.5)	(1.6)		(0.3)	0.9					(23.5)
Current Liabilities	(25.3)	(1.6)	0.0	(0.3)	0.9	0.0	2.8	0.0	0.0	(23.5)
Provisions	(2.0)									(2.0)
Other Long Term Liabilities										
Deferred Liability	(0.8)	1.7			(1.0)					(0.1)
Deferred Capital Contributions	(9.6)	8.2				1.4				0.0
Defined benefit pension scheme liability	(1,219.6)	(17.8)							(13.5)	(1,250.9)
Long Term Liabilities	(1,232.0)	(7.9)	0.0	0.0	(1.0)	1.4	0.0	0.0	(13.5)	(1,253.0)
Net Assets	(1,101.9)	(16.4)	0.2	(0.3)	(0.0)	1.4	0.0	(0.6)	(13.5)	(1,131.1)
Usable Reserves										
General Balances	6.5	(0.2)			0.0					6.3
Capital Grants Unapplied	0.0	0.8				0.8				1.6
Unusable Reserves										
Capital Adjustment Account	98.7	2.4	0.2		0.0	0.6		(0.6)		101.3
Pension Reserve	(1,219.6)	(17.8)							(13.5)	(1,250.9)
Accumulated Absences Account	0.0	(1.6)		(0.3)						(1.9)
Total Reserves	(1,101.9)	(16.4)	0.2	(0.3)	0.0	1.4	0.0	(0.6)	(13.5)	(1,131.1)

2009/10 Income and Expenditure Statement Extract

	Net Expenditure as per the Income & Expenditure Statement in the 2009/10 Statement of Accounts							2009/10 Income & Expenditure Statement Restated Under IFRS
	£m	Assets Held for Sale £m	Employee Benefits £m	Leases £m	Capital Grants £m	Prior Year Depreciation Adjustment £m	IAS 19 Pension Liability adjustment £m	£m
Cost of Policing Services	199.8	(0.0)	0.3	(0.1)	1.9	0.6	2.4	204.9
Non Distributed Costs	0.6						(0.2)	0.4
Corporate and Democratic Core	2.2							2.2
Cost Of Services	202.6	(0.0)	0.3	(0.1)	1.9	0.6	2.2	207.5
Other Operating Expenditure								
Gain or Loss on the Disposal of Fixed Assets	(0.3)	(0.1)						(0.4)
Financing and Investment Income and Expenditure								
Pension Interest Cost and Expected Return on Assets	54.6						1.3	55.9
Taxation and Non-Specific Grant Income								
Capital Grants and Contributions					(3.2)			(3.2)
(Surplus) or Deficit on Provision of Services	52.3	(0.1)	0.3	(0.1)	(1.3)	0.6	3.5	55.2

6 Borrowing

The approved capital programme is planned to be supported by borrowing but due to favourable cash flows in 2010/2011 it was not necessary for the Authority to take out any external borrowing to assist in financing the capital programme. As at 31st March 2011 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. For police staff the Local Government Pension Scheme (LGPS) is available and police officers can join the Police Pension Scheme. They are both defined benefit schemes, but differ in their operation. A fuller explanation is provided in the Notes to the Financial Statements.

8 Overall Financial Position

The level of available revenue balances, earmarked reserves and general reserves, held by the Police Authority has increased from £11.7m to £12.8m. The balance of £12.8m represents 6.0% of the 2010/2011 annual budget. General Reserves are £7.5m, 3.5% of the annual budget at the end of 2010/11 with earmarked reserves at £5.3m.

The full costs associated with the pension schemes are disclosed in the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, and Balance Sheet. As can be seen in more detail later in this document, Surrey Police has two pension schemes to meet the needs of its employees' retirement benefits. The scheme for police officers is an un-funded scheme and is in deficit, resulting in an estimated liability of £1,079.2m. The LGPS is a funded scheme but is also currently in deficit, with an estimated liability of £33.9m. Further details are disclosed in the notes.

At 31st March 2011 £2.2m was held against the Authority's estimate of existing insurance liabilities under the current self-funded arrangements, £0.5m in Local balances, £1.0m in Ill health reserves, £0.3m in a healthcare reserve, £0.3m in an Olympics reserve and £1.0m in an OPR reorganisation reserve.

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

9 Further Information

The Authority continues to monitor the impact on its business of the slow improvement from recession to weak growth in the overall UK economy. The Authority has already reacted to the downturn in the short term by reducing senior leader numbers and restructuring the support function as funding from Government falls as part of the reductions to public expenditure to meet the national budget deficit. The Medium Term Financial Plan (MTFP) continues to reflect the decreasing level of funding from central Government, which is being mitigated by the Force's efficiency-driven strategic change programmes. By reducing the number of senior officers and staff leaders, simplifying the structure of the Force and replacing a number of older and underused police stations, Surrey Police is able to recruit up to 200 more constables, offer more and better ways for the public to visit local police and reduce the budget gap facing the Force.

Details of provisions are contained in Note to the Accounts number 13. The most significant year-on-year movement relates to a further £1.3m which was added to the provision against a potential deficit on the Police Staff pension scheme.

A new provision was established in 2010/11 to help cover the cost of legal claims, predominantly of a public liability nature, particularly as our insurers do not cover the first £250k of any such claim.

The Force engaged in a number of significant strategic collaborations during the year, working together with neighbouring forces in the areas of Air Support, Covert Operations, Technical Surveillance, Witness Protection and Serious Crime Investigation. Throughout 2010, the Force has been working closely with Sussex Police on establishing the framework for a number of key bilateral collaborations in areas such as Firearms, Major Crime and Forensics, for the purpose of achieving significant cash savings and maintaining, or wherever possible, improving levels of service and public confidence in the agreed areas.

Details of the Authority's plans for revenue and capital expenditure in 2011/2012 can be found in the Budget and Precept paper considered by the full Police Authority on 7 February 2011 and the Local Policing Plan 2011/14. 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

30 June 2011

REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS

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

Opinion on the Authority and Pension Fund accounting statements

I have audited the accounting statements and the police pension fund accounting statements of Surrey Police Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the 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. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the police pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Surrey Police Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Surrey Police Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Surrey Police Authority 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
Bridge House
1 Walnut Tree Close
Guildford
GU1 4UA

30 September 2011

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 xxth September 2011.



Peter Williams
Chairman 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 Code), based on International Financial reporting Standards.

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 Code.

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 a true and fair view of the financial position of the Surrey Police Authority at the accounting date and its income and expenditure for the year ended 31st March 2011.



Ian Perkin
Treasurer of Surrey Police Authority

SURREY POLICE AUTHORITY ANNUAL GOVERNANCE STATEMENT 2010-11

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, 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 2011 and up to the date of approval of the Annual Statement of Accounts 2010/11.

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 sets out its purpose and role in its Code of Corporate Governance. This document demonstrates how the Authority discharges its governance arrangements – in other words, the systems, processes, culture and values by which the Authority is directed and by which it controls what it does. The Code is structured to show how the Authority complies with the principles of 'good governance', as defined by CIPFA (Chartered Institute of Public Finance and Accountancy) and complies with the CIPFA guidance note for Police Authorities in England & Wales. The Surrey Police Authority Code of Governance is available on the Authority's website.

In addition, the Authority has in place a vision, initially agreed in February 2008 and re-examined by Members on an annual basis since:

"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 Authority structures its Business Plan around this vision. The vision is also underpinned by a number of measurable success criteria which allow us to gauge 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.

Both the Audit Committee and the Standards Committee keep 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. It is responsible for the ongoing review of the Authority's Financial Regulations.

The Authority's Scheme of Delegation documents the roles and responsibilities of the senior officers of both the Force and Authority and is kept under continual review by the 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 regular review to ensure it allows the Authority to effectively scrutinise and challenge Force activity. The Committee and Panel structure was reviewed in May 2010 to ensure that it remains fit for purpose since the Force's move to a 'functional' model for the delivery of policing. It was further reviewed following the publication of the Police Reform and Social Responsibility Bill in December 2010. At this point, the Authority resolved to continue with 'business as usual' and maintain current levels of scrutiny in spite of uncertainty around its own future post May 2012. The roles of each Panel and Committee are set out in Terms of Reference which are reviewed on an annual basis.

The Authority's Standards Committee plays a key role in advising the Authority on the revision of its Code of Conduct 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.

Since December 2008, the Committee has taken on 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 and has been reviewed this year. Members of the Standards Committee have received training on the principles of local investigations.

The Standards Committee takes a role in identifying the development needs of Members and oversees the Authority's training plan. Having been awarded the 'Member Development Charter' in February 2010 in recognition of the Authority's good practice in Member learning and development arrangements, the Committee has ensured that this work continues.

The Localism Bill, which proposes the abolition of the entire standards regime, caused the Standards committee to examine its functions this year. It has agreed not to hold meetings unless necessary, recognising that some of its work is becoming increasingly superfluous given the proposed abolition of both the Committee and the Authority itself. However, it has agreed that it will not prematurely abandon its responsibilities and will continue to ensure its statutory roles are fulfilled.

The proactive involvement of the Authority's Chairman and Senior Personnel Committee in the Chief Officer PDR process enables the Authority to ensure the Chief Constable is reflecting the Authority's vision in his work. Whilst recognising the Chief Constable's responsibilities for the PDRs of his Chief Officer Group, the Authority has also drawn up an arrangement whereby it will discuss with the Chief Constable on an annual basis how effectively the skills of the Chief Officer Group complement each other and how the team could be further developed.

In respect of complaints, there are a number of organisations with different responsibilities, 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. The responsibility for overall oversight of the various whistle-blowing policies for Authority staff, Members and Force personnel rests with the Audit Committee.

The Authority agreed its Community Engagement Strategy in September 2008 and the Citizen Focus Panel has kept the document under review. This strategy sets out our 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. Our Partnership Strategy, agreed in May 2009, sets out our arrangements for working in partnership with key stakeholders.

The Authority's Local Policing Plan is a key document which outlines the policing priorities and performance targets set for the Force, taking on board 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 and the full Authority throughout the year.

4. Review of Effectiveness

The Authority is responsible for approving the local Code of Corporate Governance and for carrying out reviews 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 Force Analysis Unit 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. The Authority maintains its own Risk Register and Assurance Framework which is reviewed regularly both by Authority staff and by the Audit Committee. The Audit Committee and full Authority also have oversight and scrutiny of the Force's high level and shared risks.

The responsibility for owning and managing Force organisational risks sits with its Chief Officers, overseen by the Chief Constable. The Force's risks are entered on its Risk Register (which also includes shared risks with the Authority). High level and shared risks are considered at specific meetings of the Chief Officers Group where the Chief Executive is in attendance. 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.

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 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's Internal Auditors are 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 an opinion on the overall adequacy and effectiveness of the governance framework. That opinion is provided below and is based on the work undertaken by the Internal Auditors in 2010/11. The planned audit work for the year was approved by the approved by the Authority's Audit Committee in advance following discussions with senior officers of both Surrey Police Force and Surrey Police Authority.

The Internal Auditor's Opinion for 2010/11:

On the basis of our audit work, we consider that SPA's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by our audit work. The issues arising from this work have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

External Audit

The External Auditor has to carry out the audit of the financial statements in accordance with International Standards on Auditing (UK 7 Ireland) issued by the Auditing Practices Board. In addition the External Auditor is required to give a statutory Value for Money (VFM) conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

Her Majesty's Inspectorate of Constabulary (HMIC)

HMIC has carried out a number of inspections during 2010-11. The joint inspection between HMIC and the Audit Committee in June 2010 focused on the Authority's performance against four main criteria:

- Setting strategic direction and priorities
- Performance scrutiny
- Engagement with communities
- Value for Money and Productivity.

The inspection report, published in September 2010, concluded that the Authority is 'performing well' against each category with a score of 3 out of a possible 4. This

placed the Authority among the highest performing Police Authorities in England and Wales.

The 'Valuing the Police; Preparedness' inspection in early 2011 looked at both the Authority and Force's readiness for the financial challenges ahead. The final report is awaited, but draft findings show the force as prepared, with a clear understanding of the scale of the challenge and a well documented plan to meet the challenges.

A second joint inspection – 'Valuing the Police; Collaboration' is due to take place in July 2011 and will examine plans for collaboration and how these feed into the deliver of savings. This will be followed by a joint meeting with Sussex colleagues to discuss joint collaboration plans.

The Force has also been subject this year to a review of its arrangements for tackling anti-social behaviour. This concluded that the proportion of those surveyed in Surrey who felt that ASB was a big problem in their area was far lower than the national average. This was a good result for the force.

5. Significant Governance Issues

2009/10

No significant control issues were identified within the 2009/10 reviews.

2010/11

No significant control issues were identified within the 2010/11 reviews.

Peter Williams
Chairman of Surrey Police Authority

2010/2011 FINANCIAL STATEMENTS

Movement in Reserves Statement

	General Fund Balance £m	Earmarked Reserves £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
IFRS Balance at 01 April 2009	11.1	3.8	4.1	0.8	19.8	(702.1)	(682.3)
Movement in Reserves during 2009/10							
Surplus or (deficit) on provision of services	(55.2)	0.0	0.0	0.0	(55.2)	0.0	(55.2)
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	(393.5)	(393.5)
Total Comprehensive Expenditure and Income	(55.2)	0.0	0.0	0.0	(55.2)	(393.5)	(448.7)
Adjustments between accounting basis & funding basis under regulations	52.0	0.0	(3.0)	0.8	49.8	(49.9)	(0.1)
Net Increase / Decrease before Transfers to Earmarked Reserves	(3.2)	0.0	(3.0)	0.8	(5.4)	(443.4)	(448.8)
Transfers to / from Earmarked Reserves	(1.6)	1.6	0.0	0.0	0.0	0.0	0.0
Increase / Decrease in Year	(4.8)	1.6	(3.0)	0.8	(5.4)	(443.4)	(448.8)
Balance at 31 March 2010 carried forward	6.3	5.4	1.1	1.6	14.4	(1,145.5)	(1,131.1)
Movement in Reserves during 2010/11							
Surplus or (deficit) on provision of services	73.5	0.0	0.0	0.0	73.5	0.0	73.5
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	59.5	59.5
Total Comprehensive Expenditure and Income	73.5	0.0	0.0	0.0	73.5	59.5	133.0
Adjustments between accounting basis & funding basis under regulations	(72.4)	0.0	(1.1)	(1.3)	(74.8)	75.0	0.2
Net Increase / Decrease before Transfers to Earmarked Reserves	1.1	0.0	(1.1)	(1.3)	(1.3)	134.5	133.2
Transfers to / from Earmarked Reserves	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0
Increase / Decrease in Year	1.2	(0.1)	(1.1)	(1.3)	(1.3)	134.5	133.2
Balance at 31 March 2011	7.5	5.3	0.0	0.3	13.1	(1,011.0)	(997.9)

Comprehensive Income & Expenditure Statement

31 March 2010				31 March 2011		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m		£m	£m	£m
111.4	(9.6)	101.8	Local Policing	109.4	(7.7)	101.7
23.7	(1.7)	22.0	Dealing with the Public	25.1	(1.9)	23.2
17.1	(1.7)	15.4	Criminal Justice Arrangements	21.2	(2.2)	19.0
12.4	(1.8)	10.6	Roads Policing	11.2	(1.8)	9.4
10.8	(1.0)	9.8	Specialist Operations	14.6	(2.2)	12.4
11.9	(0.9)	11.0	Intelligence	20.7	(2.8)	17.9
26.6	(2.7)	23.9	Specialist Investigations	28.4	(1.8)	26.6
7.8	(0.7)	7.1	Investigative Support	10.3	(0.8)	9.5
6.8	(3.5)	3.3	National Policing	6.1	(3.3)	2.8
228.5	(23.6)	204.9	Cost of Policing Services	247.0	(24.5)	222.5
0.4	0.0	0.4	Non Distributed Costs	0.3	0.0	0.3
0.0	0.0	0.0	Exceptional item	(147.0)	0.0	(147.0)
2.3	(0.1)	2.2	Corporate and Democratic Core	2.5	0.0	2.5
231.2	(23.7)	207.5	Cost Of Services	102.8	(24.5)	78.3
			Other Operating Expenditure			
0.0	(0.4)	(0.4)	Gain or Loss on the Disposal of Fixed Assets	0.0	(0.9)	(0.9)
0.0	(7.0)	(7.0)	Home Office grant payable to the cost of retirement benefits	0.0	(9.1)	(9.1)
			Financing and Investment Income and Expenditure			
0.1	0.0	0.1	External Interest Payable	0.0	0.0	0.0
0.0	(0.3)	(0.3)	Interest and Investment Income	0.0	(0.2)	(0.2)
55.9	0.0	55.9	Pension Interest Cost and Expected Return on Assets	72.0	(7.9)	64.1
0.0	0.0	0.0	Surplus or Deficit of Discontinued Operations	0.0	0.0	0.0
			Taxation and Non-Specific Grant Income			
0.0	(3.2)	(3.2)	Capital Grants and Contributions	0.0	(2.7)	(2.7)
0.0	(6.7)	(6.7)	Revenue Support Grant	0.0	(4.6)	(4.6)
0.0	(95.6)	(95.6)	Precept Income	0.0	(98.6)	(98.6)
0.0	(29.0)	(29.0)	NNDR	0.0	(31.8)	(31.8)
0.0	(66.1)	(66.1)	Police Grant	0.0	(68.0)	(68.0)
287.2	(232.0)	55.2	(Surplus) or Deficit on Provision of Services	174.8	(248.3)	(73.5)
0.1	0.0	0.1	Other gains and losses	0.0	0.0	0.0
0.0	0.0	0.0	Surplus or deficit on revaluation of available for sale financial assets	0.0	0.0	0.0
393.5	0.0	393.5	Actuarial gains / losses on pension assets / liabilities	0.0	(59.5)	(59.5)
393.6	0.0	393.6		0.0	(59.5)	(59.5)
680.8	(232.0)	448.8	Total Comprehensive Income and Expenditure	174.8	(307.8)	(133.0)

Balance Sheet

1 April 2009 £m	31 March 2010 £m		31 March 2011 £m	Notes
115.4	110.6	Property, Plant & Equipment	105.9	9
2.0	1.1	Intangible Assets	2.6	10
2.6	2.3	Long Term Debtors	2.1	13
120.0	114.0	Long Term Assets	110.6	
0.3	0.3	Inventories	0.3	12
15.6	15.8	Short Term Debtors	17.1	13
11.5	12.4	Cash and Cash Equivalents	13.9	14
1.8	2.9	Assets held for sale	1.5	15
29.2	31.4	Current Assets	32.8	
(17.9)	(23.5)	Short Term Creditors	(25.1)	16
(17.9)	(23.5)	Current Liabilities	(25.1)	
(0.1)	(2.0)	Provisions	(3.1)	17
(813.5)	(1,251.0)	Other Long Term Liabilities	(1,113.1)	30.2
(813.6)	(1,253.0)	Long Term Liabilities	(1,116.2)	
(682.3)	(1,131.1)	Net Assets	(997.9)	
		Usable Reserves		18
4.1	1.1	Usable Capital Receipts	0.0	
11.1	6.3	General Balances	7.5	
3.8	5.4	Earmarked Reserves	5.3	
0.8	1.6	Capital Grants Unapplied	0.3	
		Unusable Reserves		19
104.7	101.3	Capital Adjustment Account	97.3	
5.9	5.6	Revaluation Reserve	5.5	
(811.2)	(1,250.9)	Pension Reserve	(1,113.1)	
0.1	0.4	Collection Fund Adjustment Account	0.7	
(1.6)	(1.9)	Accumulated Absences Account	(1.4)	
(682.3)	(1,131.1)	Total Reserves	(997.9)	

SURREY POLICE AUTHORITY CASHFLOW STATEMENT 2010/2011

	31 March 2010		31 March 2011		Notes
	£m	£m	£m	£m	
OPERATING ACTIVITIES					
Cash Outflows					
Cash paid to and on behalf of employees		184.9		194.8	
Other operating costs		40.7		37.1	
		225.6		231.9	
Cash Inflows					
Council Tax Income		(95.6)		(98.5)	
NNDR income		(29.0)		(31.8)	
Revenue Support Grant		(6.7)		(4.6)	
Police Grant		(66.1)		(68.0)	
Other Government grants		(26.5)		(30.1)	
Cash received for good and services		(5.1)		(2.9)	
Interest received		(0.3)		(0.2)	
		(229.3)		(236.1)	
Net Cash Flow from Operating Activities		(3.7)		(4.2)	
INVESTING ACTIVITIES					
Cash Outflows					
Purchase of property plant and equipment		9.9		10.0	
Capital creditors		(0.6)		0.0	
		9.3		10.0	
Cash Inflows					
Proceeds from sale of property, plant and equipment		(3.6)		(4.7)	
Capital grants received		(3.0)		(2.2)	
Other receipts from investing activities		(0.6)		(0.6)	
		(7.2)		(7.5)	
Net Cash Flow from Investing Activities		2.1		2.5	
FINANCING ACTIVITIES					
Cash Outflows					
Capital element of finance lease rental		0.6		0.2	
Interest element of finance lease		0.1		0.0	
		0.7		0.2	
Net Cash Flow from Financing Activities		0.7		0.2	
NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		(0.9)		(1.5)	
Cash and cash equivalents at the beginning of the reporting period		11.5		12.4	
Cash and cash equivalents at the end of the reporting period		12.4		13.9	

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Notes to the Accounts

1.Accounting Policies

The Accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the U.K. 2010/11, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and approved by the Financial Reporting Advisory Board (FRAB). This Code of Practice is the first to be based on International Financial Reporting Standards (IFRSs). The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance. The Accounts follow the guidance notes produced by CIPFA for practitioners on the application of the Code to Local Authorities in the UK 2010/11.

Fundamental Accounting Policies

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

- Accruals – the accruals basis of accounting establishes that the non-cash effects of transactions are reflected in the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- Going Concern – the Accounts have been prepared on the assumption that the Authority will operate for the foreseeable future. This means in particular that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operation.
- Understandability - to ensure that the Statement of Accounts produced can be understood by its readers.
- Relevance – to ensure that the information provided about the Authority's financial position, performance and cash flow is useful for assessing stewardship of public funds and for making economic decisions.
- Materiality – provides a threshold or cut-off point to ensure that the information included in the Financial Statements is of such significance as to justify its inclusion. Omissions or misstatements of items are material if they could, individually or collectively, influence users decisions or assessment of the Financial Statements.
- Reliability – to ensure that the financial information provided accurately reflects the substance of the transactions and other events that have taken place.
- Comparability – the information contained in the Financial Statements has been prepared so that it can be readily compared with similar information about the same entity for different accounting periods and with similar information about other entities.
- Primacy of Legislative Requirements – 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. However, the Code deals with such conflicts by showing the position required by the Code's accounting requirements in the Comprehensive Income and Expenditure Statement, and the effect of the legislative requirements in the Movement in Reserves Statement.

The following sections set out the Police Authority's general accounting policies, which have been followed in 2010/2011.

Income and Expenditure

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.

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.

A small number of internal trading accounts are operated for management purposes only. These internal transactions are excluded for the purpose of producing this Statement of Accounts.

Overheads and Support Services

The costs of overheads and support services are charged to the service area that benefits from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACoP). The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACoP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure.

Non-Current Assets - Property, plant and equipment

Recognition

The cost of an item of property, plant and equipment is capitalised provided that the asset will benefit the Authority for a period of more than one year, and the cost of the item can be measured reliably.

Costs include the initial cost of acquisition or construction, and costs incurred subsequently to enhance, replace part of, or service the asset, provided that they meet the recognition criteria above.

Where a component is replaced or restored (i.e. an enhancement), the carrying amount of the old component is derecognised and the new component reflected in the carrying amount.

The general de minimis capitalisation limit is £10,000 for all relevant expenditure. There is no de minimis limit for the purchase of land and buildings, or fleet vehicles. Low value covert vehicles are not capitalised.

Measurement

Items of property, plant and equipment are initially measured at cost, comprising all expenditure that is directly attributable to bringing the assets into working condition for their intended use. Assets are then carried in the Balance Sheet using the following measurement:

Assets under construction are measured at historical cost.

Land and buildings are valued at fair value. Fair value for land and buildings under property, plant and equipment is the amount that would be paid for the asset in its existing use. Valuations are carried out 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).

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

Assets included in the Balance Sheet at fair value are revalued where there have been material changes in the value, or as a minimum, every 5 years.

Increases in valuation are recognised in the Revaluation Reserve unless the increase is reversing a previous impairment loss or revaluation decrease charged to the Comprehensive Income and Expenditure Statement for the same asset, in which case the increase is recognised in the Comprehensive Income and Expenditure Statement.

A decrease in valuation (i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset) is recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset, and thereafter in the Comprehensive Income and Expenditure Statement.

Depreciation

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

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

The economic lives of the assets are reviewed each accounting period and revised if necessary.

Land is not subject to depreciation.

Assets are not depreciated until they are available for use. Accordingly assets under construction are not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. (This is applicable to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010).

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

Each category of asset (or individual asset where necessary) is reviewed at the end of each financial year for evidence of impairment.

Examples of events and changes in circumstances that indicate impairment may have incurred include:

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

All impairment losses are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset and thereafter in the Comprehensive Income and Expenditure Statement.

Disposal

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

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

Receipts from the sale of houses are only recognised in the accounts when cash is received, rather than when the sale is contractually committed. This is considered to be a prudent policy, in view of the uncertainties associated with property sales.

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

Assets Held for Sale

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

- The asset is available for immediate sale in its present condition;
- The sale is highly probable. This means that the Authority is committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale is expected to complete within one year of the date of classification.

Assets Held for Sale are measured in the Balance Sheet at the lower of carrying value and fair value less costs to sell. Fair value for Assets Held for Sale is market value.

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

Assets Held for Sale are not depreciated.

Funding of capital expenditure to purchase Non-Current Assets

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

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

- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital reserves to finance expenditure.
- When a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred, the grant or contribution is transferred to the Capital Grants Unapplied Account, reflecting its status as a capital resource available to finance expenditure.
- When a capital grant or contribution has been received with conditions that the Authority has not met, the grant or contribution is recognised in the Balance Sheet as Capital Grants Receipts in Advance. Once the condition has been met, the grant or contribution is transferred from the Capital Grants Receipts in Advance Account and recognised as income in the Comprehensive Income and Expenditure Statement and accounted for as above depending on whether expenditure has been incurred.

The above transfers are reported in the Movement in Reserves Statement.

Charges to Revenue for Non-Current Assets

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

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

Leases

Leases are classified as either finance leases or operating leases based on risks and rewards of ownership. Land and building elements of a lease are classified and accounted for separately with the land element normally being an operating lease.

Arrangements that do not take the legal form of a lease, but allow the use of an asset in return for payments, are accounted for under this policy where fulfilment of the arrangement is dependant on the use of specific assets.

Finance Leases

Where the Authority has substantially all the risks and rewards incidental to ownership of an 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 Comprehensive Income and Expenditure Statement.

Operating Leases

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

Intangible Assets

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

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

Intangible assets are included in the Balance Sheet at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (normally 3 years), commencing in the month the asset comes into service.

Inventories

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

This policy is a departure from IAS 2 which requires inventory to be valued at the lower of cost or net realisable value. For many inventory items, particularly uniforms, net realisable value would be minimal and does not accurately reflect the value to the Authority of holding these items.

Debts Outstanding

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

Reserves and Provisions

The Police Authority maintains reserves to finance future expenditure and to protect the Authority against unexpected events. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

Employee Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as salaries, paid annual leave and paid sick leave. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Pension Arrangements

Surrey Police pension schemes are accounted for under the International Financial Reporting Standard IAS 19 Employee benefits.

The Police Authority has decided, following actuarial advice, to rebut the IAS19 assumption that injury benefits are not subject to the same degree of uncertainty as pension payments. This means that the pension interest cost and expected return on assets is not charged to the Cost of Services, but instead has been charged to the Net Operating Expenditure, as at Note 26.1, and any actuarial gain or loss charged to the total Income and Expenditure.

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 Comprehensive Income and Expenditure Statement.
- Local Government Pension Scheme (LGPS):
Police staff employees, subject to certain qualifying criteria, are eligible to join the LGPS. The pension costs that are charged to the 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.

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

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

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.

The attributable assets of the LGPS are measured at their fair value at the Balance Sheet date. From 2008/09 the quoted securities held as assets in the 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.

Any unpaid contributions to the scheme are presented in the Balance Sheet as a Short Term Creditor.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increase in benefit accrues.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the 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.

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

Revenue Grants and Contributions

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

Net expenditure is expressed before deducting government grants in support of the overall expenditure of the 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

Throughout 2010/2011 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). (See Charges to Revenue for Non-Current Assets above).

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits held at call with Surrey County Council. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Investments are held on the Balance Sheet as cash equivalents if; the investments are readily convertible to a known amount of cash, they are subject to insignificant risk of changes in value and, have a short maturity of three months or less from the date of acquisition.

Investments held by Surrey County Council on behalf of Surrey Police are classified as cash equivalents as they are low risk, short term and readily available.

VAT

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

Financial Instruments

Financial Instruments – Financial Liabilities

Financial liabilities are initially measured at their fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement 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

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
- Financial 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 Comprehensive Income and Expenditure Statement 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 through 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 balanced by posting gains and losses to the Comprehensive Income and Expenditure Statement as they arise.

Where an asset is 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 Comprehensive Income and Expenditure Statement.

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

Until 2006/07, the Authority had a scheme that enabled police officers to apply for a loan which could only be used towards the purchase of a property. Only advances made after 1st April 2007 are classified as assets at fair value through profit or loss. Assets at fair value through profit or loss are revalued at a minimum every 5 years.

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

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

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

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

Exceptional Items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the Authority's financial position. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2. Accounting Standards that have been issued but have not yet been adopted

The IFRS Code has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the Authority in the 2011/12 Financial Statements.

The Authority is required to disclose information relating to the impact of the accounting change on the Financial Statements as a result of the adoption by the Code of a new Standard that has been issued, but is not yet required to be adopted by the Authority, in this case heritage assets. The new Standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 Financial Statements in accordance with FRS 30.

Heritage assets are assets that held by the Authority principally for their contribution to knowledge or culture. The heritage assets held by the Authority are a collection of exhibits displayed in the museum. These assets are not currently recognised in the Financial Statements as no information is available on the cost of the assets. Records Management maintain an inventory of the assets held in the museum.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a degree of uncertainty about the arrangements for the replacement of Police Authorities by Police & Crime Commissioners (PCCs).
- Estates strategy – timing and value of future station sales

4. Events After The Balance Sheet Date

The Statement of Accounts is to be authorised for issue by the Treasurer on 30 September 2011. Events taking place after this date are not reflected in the Financial Statements or Notes. Where events taking place before this date provide information about conditions existing at 31 March 2011, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

The Authority has no material post balance sheet events to report as at 30 September 2011.

5. Exceptional Items

The 2010/11 Comprehensive Income & Expenditure Statement includes a £147m negative cost to reflect the reduction in Surrey Police Authority's Pension Fund liability from up-rating pensions in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). To comply with guidance contained within IAS8, this one-off item is shown as an Exceptional Item.

Page 8 of the Explanatory Forward contains a more comprehensive explanation.

6. Environmental Management

Surrey Police Authority is committed to reducing its environmental impact in all of its day-to-day activities. In putting the public first and bringing communities together the Authority acknowledges its part in mitigating the effects of, and adapting to climate change. With continual improvement, the Authority can reduce its energy consumption and respond to the changing environmental challenges that we all face. To that end the Authority will reduce its carbon emissions across utilities by 10% by 2012 (from 2008/9), take into account energy efficiency and whole life costing in any major refurbishments or new builds, and procure sustainable products and services whenever practically possible. The Authority is committed to continually reviewing its information and technologies to seek out energy efficiencies. To date carbon emissions have reduced by 2%.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2009/2010	Usable Reserves			Unusable Reserves				
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Capital Adjustment Account £m	Revaluation Reserve £m	Pension £m	Council Tax £m	Holiday pay £m
Reversal of items included in the Comprehensive Income and Expenditure Statement:								
Amortisation of intangible fixed assets	(2.0)			2.0				
Depreciation and impairment of property plant and equipment	(9.2)			9.3				
Capital Grants & Contributions Applied	2.4	7.0		(9.9)				
Capital Grants & Contributions Unapplied	0.8		(0.8)					
Net gain or loss on sale of property plant and equipment	0.2	(3.5)		3.3				
Short term employee benefits	(0.3)							0.3
Net charges made for retirement benefits in accordance with IAS 19	(83.4)					83.4		
Council Tax adjustment.	0.3						(0.3)	
Addition of items excluded from the Comprehensive Income and Expenditure Statement:								
Minimum revenue provision for capital financing	0.5			(0.5)				
Capital expenditure charged in-year to the General Fund balance	1.0							
Employer's contribution payable to the Pensions Account and retirement benefits payable direct to pensioners	37.2					(37.2)		
Voluntary revenue provision for capital financing	0.5			(0.5)				
Amortisation of Revaluation Reserve				(0.3)	0.3			
Contributions moved to Usable Capital Receipts		(0.5)						
Net additional amount required to be (credited) / debited to the General Fund balance for the year	(52.0)	3.0	(0.8)	3.4	0.3	46.2	(0.3)	0.3

2010/2011	Usable Reserves			Unusable Reserves				
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Capital Adjustment Account £m	Reval Res £m	Pension £m	Council Tax £m	Holiday pay £m
Reversal of items included in the Comprehensive Income and Expenditure Statement:								
Amortisation of intangible fixed assets	(0.8)			0.8				
Depreciation and impairment of property plant and equipment	(10.2)			10.2				
Capital Grants & Contributions Applied	2.7	1.3	1.1	(2.7)				
Capital Grant & Contributions Unapplied	0.0	(0.2)	0.2	0.0				
Net gain or loss on sale of property plant and equipment	0.6	0.0		0.0				
Short term employee benefits	0.5							(0.5)
Net charges made for retirement benefits in accordance with IAS 19	35.3					(35.3)		
Council Tax adjustment.	0.3						(0.3)	
Addition of items excluded from the Comprehensive Income and Expenditure Statement:								
Minimum revenue provision for capital financing	0.6			(0.6)				
Capital expenditure charged in-year to the General Fund Balance	0.4							
Employer's contribution payable to the Pensions Account and retirement benefits payable direct to pensioners	43.0					(43.0)		
Voluntary revenue provision for capital financing	0.0			0.0				
Amortisation of Revaluation Reserve				(0.1)	0.1			
Contributions moved to Usable Capital Receipts								
Net additional amount required to be (credited) / debited to the General Fund balance for the year	72.4	1.1	1.3	7.6	0.1	(78.3)	(0.3)	(0.5)

8. Transfers To/From Earmarked Reserves

The table below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance as at £ 01 Apr 2009	Appropriation £ s to/from revenue	Balance as at £ 31 March 2010	Appropriation £ s to/from revenue	Balance as at £ 31 March 2011
Earmarked Reserve Category					
Local	1.0	0.1	1.1	(0.6)	0.5
Insurance	2.0	0.1	2.1	0.1	2.2
Ill Health	0.5	0.3	0.8	0.2	1.0
Healthcare	0.0	0.3	0.3	0.0	0.3
Olympics	0.3	0.0	0.3	0.0	0.3
OPR	0.0	0.8	0.8	0.2	1.0
Total Earmarked Reserves	3.8	1.6	5.4	(0.1)	5.3

Local Reserve

This was 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.

Ill Health Reserve

This reserve is to meet the cost of police officers' ill health commutations in the future. For each instance of ill health the Authority has to provide for the capital equivalent charge that is required to be paid into the Police Pension Account.

Healthcare Reserve

This reserve was established to smooth out the costs from one year to the next of the self funded healthcare provision within the Force.

Olympics Reserve

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

OPR Reserve

This reserve was established to cover the additional implementation costs resulting from the Operational Policing Review (OPR).

9. Property, Plant and Equipment

Changes in Fixed Assets during the year are summarised below:

Property, Plant and Equipment

Movements in 2008/2009	Land and Buildings £m	Vehicle, Plant, Furniture & Equipment £m	Surplus Assets £m	Assets under construction £m	Total Property, Plant and Equipment £m
Cost or Valuation					
At 1 April 2008	114.0	40.0	2.6	2.6	159.2
Additions	1.0	4.5	0.0	4.6	10.1
Movement of Leases due to IFRS	(1.7)				(1.7)
Leases	2.5	0.3	0.0	0.0	2.8
Derecognition - disposals	(4.4)	(4.2)	0.0	0.0	(8.6)
Derecognition - other	1.2	0.1		(0.6)	0.7
Surplus assets	(2.7)		2.7		0.0
Assets reclassified (to)/from Held for Sale			(1.9)		(1.9)
Other movements in cost or valuation	(18.4)				(18.4)
Gross Book Value at 31 March 2009	91.5	40.7	3.4	6.6	142.2
Accumulated Depreciation					
At 1 April 2008	(8.7)	(20.0)	0.0	0.0	(28.7)
Depreciation charge	8.2	(2.3)	0.0	0.0	5.9
Movement due to change in the Dep'r policy	0.0	(4.0)			(4.0)
Accumulated Depreciation at 31 March 2009	(0.5)	(26.3)	0.0	0.0	(26.8)
Net Book Value at 31 March 2009	91.0	14.4	3.4	6.6	115.4

Property, Plant and Equipment

Movements in 2009/2010	Land and Buildings £m	Vehicle, Plant, Furniture & Equipment £m	Surplus Assets £m	Assets under construction £m	Total Property, Plant and Equipment £m
Cost or Valuation					
At 1 April 2009	91.5	40.7	3.4	6.6	142.2
Additions	0.1	2.0		5.3	7.4
Leases		0.4			0.4
Movement of Leases due to IFRS	0.1				0.1
Derecognition - disposals	(3.4)	(2.0)			(5.4)
Assets reclassified (to)/from Held for Sale			(1.0)		(1.0)
Other movements in cost or valuation - Transfers	1.9	0.7	(1.5)	(1.6)	(0.5)
Gross Book Value at 31 March 2010	90.2	41.8	0.9	10.3	143.2
Accumulated Depreciation					
At 1 April 2009	(0.5)	(26.3)	0.0	0.0	(26.8)
Depreciation charge	(2.6)	(6.4)	0.0		(9.0)
Depreciation on Disposals & Write-Offs	0.4	3.1	0.0		3.5
Movement due to change in the Dep'n policy	0.0	(0.3)			(0.3)
Accumulated Depreciation at 31 March 2010	(2.7)	(29.9)	0.0	0.0	(32.6)
Net Book Value at 31 March 2010	87.5	11.9	0.9	10.3	110.6

Property, Plant and Equipment

Movements in 2010/2011	Land and Buildings £m	Vehicle, Plant, Furniture & Equipment £m	Surplus Assets £m	Assets under construction £m	Total Property, Plant and Equipment £m
Cost or Valuation					
At 1 April 2010	90.2	41.8	0.9	10.3	143.2
Additions	1.7	5.8			7.5
Disposals		(1.4)			(1.4)
Assets reclassified (to)/from Held for Sale	(1.1)		(0.9)		(2.0)
Other movements in cost or valuation - Transfers	(3.1)	0.2	3.1	(0.2)	0.0
Gross Book Value at 31 March 2011	87.7	46.4	3.1	10.1	147.3
Accumulated Depreciation and Impairment					
At 1 April 2010	(2.7)	(29.9)	0.0	0.0	(32.6)
Depreciation charge	(1.9)	(4.0)	(0.1)		(6.0)
Depreciation on Disposals & Write-Offs	0.1	1.1			1.2
Impairments	(4.0)				(4.0)
Accumulated Depreciation and Impairments at 31 March 2011	(8.5)	(32.8)	(0.1)	0.0	(41.4)
Net Book Value at 31 March 2011	79.2	13.6	3.0	10.1	105.9
at 31 March 2010	87.5	11.9	0.9	10.3	110.6
at 31 March 2009	91.0	14.4	3.4	6.6	115.4

Depreciation

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

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

Effects of Changes in Estimates

Assets are depreciated over useful lives that are dependent on assumptions about the level of repair and maintenance that will be incurred in relation to individual assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.

It is estimated that the annual depreciation charge would increase by £2.7m for every year that the useful lives had to be reduced.

Land and Buildings

All operational police stations and offices were valued by the Bruton Knowles property consultants at 31st March 2009 on the basis of open market value in existing use.

All police houses were valued by Bruton Knowles property consultants at 31st 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 31st March 2011 the Authority's principal assets consisted of 41 operational stations and offices (including custody and control centres), 100 police houses and 791 police vehicles.

10. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item under Property, Plant and Equipment. Intangible assets include both licenses and internally generated software.

The amortisation of £1.6m (2009/10 £0.5m) charged to revenue in 2010/11 was charged to the central corporate cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:

	2008/09	2009/10	2010/11
	£m	£m	£m
Balance at start of year:			
* Gross carrying amounts	6.2	5.0	4.2
* Accumulated amortisation	(1.7)	(3.0)	(3.2)
Intangible assets net carrying amount at the start of year	4.5	2.0	1.0
Additions:			
* Purchases	0.8	0.6	2.4
Disposals & write offs	(1.3)	(1.8)	(2.4)
Amortisation for the period	(1.3)	(0.2)	1.6
Other changes	(0.7)	0.4	
Intangible assets net carrying amount at the end of the year	2.0	1.0	2.6
Comprising:			
* Gross carrying amounts	5.0	4.2	4.2
* Accumulated amortisation	(3.0)	(3.2)	(1.6)
	2.0	1.0	2.6

11. Financial Instruments

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

	Long Term			Current		
	1st April 2009 £m	31st March 2010 £m	31st March 2011 £m	1st April 2009 £m	31st March 2010 £m	31st March 2011 £m
Financial liabilities at amortised cost	0.0	0.0	0.0	(14.6)	(19.7)	(23.4)
Financial liabilities at fair value through income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0
Total Borrowings	0.0	0.0	0.0	(14.6)	(19.7)	(23.4)
Loans and receivables	0.0	0.0	0.0	22.2	21.5	25.0
Financial Assets at fair value through income & expenditure	0.1	0.1	0.1	0.0	0.0	0.0
Unquoted equity investment at cost	0.0	0.0	0.0	0.0	0.0	0.0
Total Investments	0.1	0.1	0.1	22.2	21.5	25.0

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 could only be used towards the purchase of a property. The majority of these advances were made prior to 1st April 2007 (the scheme closed to new applicants during 2006/07) and are not classified as financial instruments. Instead they 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 made to existing applicants - total carrying value £0.1m – were made after 1st April 2007 and are classified as assets held at fair value through the Income & Expenditure Account. All income associated with these advances is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Financial Instruments Gains or Losses

No gains or losses were recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments in either 2009/10 or 2010/11. 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.

12. Inventories

Inventory held by the Force consists of police clothing, supplies, vehicle parts and equipment. The movement in inventory during the year is shown in the table below.

	As At 31 March 2010 £m	As At 31 March 2011 £m
Inventories		
Balance as at 1 April	0.3	0.3
Purchases	0.4	1.1
Recognised as an expense in year	(0.4)	(1.1)
Total	0.3	0.3

13. Debtors

Short Term Debtors

Debts outstanding at 31st March 2011 can be analysed as follows:

	01 April 2009 £m	31 March 2010 £m	31 March 2011 £m
Short Term Debtors			
Central Government Bodies	6.7	4.8	4.2
Other Local Authorities	1.3	3.6	5.7
NHS Bodies	0.0	0.0	0.5
Public Corporations	0.0	0.1	0.5
Other	0.7	0.6	0.2
SUB TOTAL	8.7	9.1	11.1
Payments in Advance			
Central Government Bodies	0.0	0.0	0.1
Other Local Authorities	6.3	4.3	4.0
NHS Bodies	0.0	0.0	0.0
Public Corporations	0.0	0.0	0.0
Other	0.6	2.4	1.9
SUB TOTAL	6.9	6.7	6.0
TOTAL SHORT TERM DEBTORS	15.6	15.8	17.1

Payments made in advance as at 31st March 2011 of £6.0m, include £1.7m of pay made to police officers in March 2011 for work undertaken in April 2011, and £2.3m of pension payments paid in advance.

Long Term Debtors

Long term debts are those falling due after one year. As at 31st March 2011, the Authority's long term debtor balance of £2.1m (£2.3m 2009/10) consisted of outstanding advances made to employees predominantly those made under the housing scheme.

14. Cash and Cash Equivalents

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

	As At 01 April 2009	As At 31 March 2010	As At 31 March 2011
Analysis of Movement In Cash and Cash Equivalents	£m	£m	£m
Cash With Accounting Officers	0.1	0.2	0.2
Short-term deposits with Surrey County Council	14.6	15.0	14.4
Cash Overdrawn	(3.2)	(2.8)	(0.7)
Total Cash and Cash Equivalents	11.5	12.4	13.9

Short Term Deposits

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.

15. Assets Held for Sale

	2008/09 £m	2009/10 £m	2010/11 £m
Balance outstanding at start of year	0.0	1.8	2.9
Assets newly classified as Held for Sale * Property, Plant and Equipment	1.9	2.9	2.0
Assets sold in year	(0.1)	(1.8)	(3.4)
Total assets held at year-end	1.8	2.9	1.5

16. Creditors

Short Term Creditors

Payments due at 31st March 2011 can be analysed as follows:

	01 April 2009	31 March 2010	31 March 2011
	£m	£m	£m
Short Term Creditors			
Central Government Bodies	5.5	6.0	4.6
Other Local Authorities	5.7	5.5	6.8
NHS Bodies	0.0	0.0	0.0
Public Corporations	0.0	0.0	0.1
Other	5.0	10.1	11.9
SUB TOTAL	16.2	21.6	23.4
Receipts in Advance			
Central Government Bodies	1.1	1.5	1.6
Other Local Authorities	0.5	0.4	0.0
NHS Bodies	0.0	0.0	0.0
Public Corporations	0.0	0.0	0.0
Other	0.1	0.0	0.1
SUB TOTAL	1.7	1.9	1.7
TOTAL SHORT TERM CREDITORS	17.9	23.5	25.1

17. Provisions

	Balance as at 01 Apr 2009	Appropriations to/from revenue	Balance as at 31 March 2010	Appropriations to/from revenue	Balance as at 31 March 2011
	£m	£m	£m	£m	£m
Icelandic Banks	0.1	0.5	0.6	(0.1)	0.5
Police Staff Pension	0.0	0.8	0.8	1.3	2.1
Council Tax Rebilling	0.0	0.6	0.6	(0.6)	0.0
Legal Claims	0.0	0.0	0.0	0.5	0.5
Total Provisions	0.1	1.9	2.0	1.1	3.1

Icelandic Banks Impairment of Investments

All treasury management services for Surrey Police Authority are provided by Surrey County Council (SCC). The Authority'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 Authority's share of those deposits amounted to £1.5m – £0.75m in Landsbanki and £0.75m in Glitnir.

Accounting guidance issued in May 2011 requires that impairments be made for 5.15% of balances held in Landsbanki but that no impairment be made for balances held in Glitnir. The impairment for the Authority's share of the balance held at Landsbanki would amount to £38k. 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 38p in the £ for Landsbanki and 29p in the £ for Glitnir. In these circumstances, the loss for Surrey Police Authority could increase to £1.0m.

A provision totalling £0.5m has been set aside for the above impairment and future losses. Lost interest is not included in this provision but is treated in the Accounts on a cash basis.

The Reykjavik District Court issued a verdict on 1 April 2011 confirming that the local authorities' claims did qualify for priority status under Article 112 of the Icelandic Bankruptcy legislation. This related to both Glitnir and Landsbanki, however this decision is being appealed to the Icelandic Supreme Court.

Police Staff Pension

Following advice from Surrey County Council of a potential deficit on the pension scheme which covers police staff, a provision of £0.8m was made in 2009/10 to start to address this deficit. In 2010/11 a further £1.3m was provided for.

Council Tax Re-Billing legal costs

On the advice of the Authority's internal auditors, a provision of £0.6m was established in 2009/10 based on the estimated figures provided by the districts, pending the receipt of actual final legal claims. In 2010/11 it was agreed to release this provision as a consequence of not receiving any such claims.

Legal Claims

A new provision was established in 2010/11 to help cover the cost of legal claims, predominantly of a public liability nature, particularly as the Authority's insurers do not cover the first £250k of any such claim.

18. Usable Reserves

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

	As At 1 April 2009 £m	As At 31 March 2010 £m	As At 31 March 2011 £m
Usable Reserve			
General Fund Balance	11.1	6.2	7.5
Earmarked Reserves	3.8	5.4	5.3
Usable Capital Receipts	4.1	1.1	0.0
Capital Grants Unapplied	0.8	1.6	0.3
Total Usable Reserves	19.8	14.3	13.1

General Fund Balance

This represents 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.

Earmarked Reserves

See note 4.

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 (Part 1 of the Local Government Act 2003 and the Local Authorities Regulations 2003, Capital Finance and Accounting, England). The receipts can only be used to finance capital expenditure or the repayment of debt.

Capital Grants Unapplied

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

19. Unusable reserves

	As At 1 April 2009 £m	As At 31 March 2010 £m	As At 31 March 2011 £m
Unusable Reserve			
Capital Adjustment Account	104.7	101.3	97.3
Revaluation Reserve	5.9	5.6	5.5
Pensions Reserve	(811.2)	(1,250.9)	(1,113.1)
Collection Tax Adjustment Account	0.1	0.4	0.7
Accumulated Absences Account	(1.6)	(1.9)	(1.4)
Total Unusable Reserves	(702.1)	(1,145.5)	(1,011.0)

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.

	2008/09 £m	2009/10 £m	2010/11 £m
Opening Balance at 1 April	120.7	104.7	101.3
Cost of Disposed/Decommissioned Assets	0.0	0.0	(3.9)
Gains or Losses on revaluations of fixed assets	(13.0)	0.2	0.1
Usable receipts applied	7.0	7.0	5.9
Capital grants and contributions applied	8.7	2.6	3.2
Revenue resources applied	1.6	1.0	1.0
Write down long term debt	(0.1)	(0.3)	(0.3)
Asset Disposals	(6.3)	(3.3)	(4.0)
Depreciation/MRP	(13.9)	(10.6)	(6.0)
Closing Balance at 31 March	104.7	101.3	97.3

Revaluation Reserve

This reserve records 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 the gains arising from asset revaluations increase the net worth of the Authority, they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

	2008/09 £m	2009/10 £m	2010/11 £m
Opening Balance at 1 April	0.1	5.9	5.6
Upward revaluation of assets	5.8	0.0	0.0
Depreciation	0.0	(0.3)	(0.1)
Closing Balance at 31 March	5.9	5.6	5.5

Pension Reserve

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 Comprehensive Income and Expenditure Statement.

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

	Police Pension Scheme		Local Government Pension Scheme		Total	
	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m
Opening Balance	(781.2)	(1,171.6)	(30.0)	(79.3)	(811.2)	(1,250.9)
Actuarial (Losses)/Gains	(343.4)	30.0	(50.1)	29.5	(393.5)	59.5
Appropriation from Revenue Account to offset IAS19 composite items	(76.3)	(99.6)	(7.1)	7.8	(83.4)	(91.8)
Appropriation to Revenue Account to reconcile back to taxation requirement	29.3	162.0	7.9	8.1	37.2	170.1
Closing Balance	(1,171.6)	(1,079.2)	(79.3)	(33.9)	(1,250.9)	(1,113.1)

Collection Fund Adjustment Account

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

	2008/09 £m	2009/10 £m	2010/11 £m
Opening Balance at 1 April	0.1	0.1	0.4
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax calculated for the year in accordance with statutory requirements	0.0	0.3	0.3
Closing Balance at 31 March	0.1	0.4	0.7

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2008/09 £m	2009/10 £m	2010/11 £m
Opening Balance at 1 April	0.0	(1.6)	(1.9)
Settlement or cancellation of accrual made at the end of the preceding year	0.0	1.6	1.9
Amounts accrued at the end of the current year	(1.6)	(1.9)	(1.4)
Sub Total	(1.6)	(1.9)	(1.4)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Account on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	0.0	0.0	0.0
Closing Balance at 31 March	(1.6)	(1.9)	(1.4)

20. Amounts Reported For Resource Allocation Decisions

Segmental Reporting 2009/10

	Response £m	Neighbourhoods £m	Investigation £m	Tasking & Co-ordination £m	Support Services £m	Corporate £m	Other £m	Total £m
Fees, charges & other service income	(1.3)	(0.6)	(1.4)	(0.5)	(3.9)	(6.0)	(0.2)	£m (13.9)
Government grants	(0.2)	(0.1)	(0.2)	(0.1)	0.0	(7.8)	0.0	(8.4)
Total Income	(1.5)	(0.7)	(1.6)	(0.6)	(3.9)	(13.8)	(0.2)	(22.3)
Employee expenses	51.1	24.6	55.4	18.5	16.5	3.3	9.0	178.4
Other operating expenses	6.4	3.1	7.0	2.3	19.0	17.0	4.0	58.8
Support Service Recharges								0.0
Total operating expenses	57.5	27.7	62.4	20.8	35.5	20.3	13.0	237.2
Net Cost of Services	56.0	27.0	60.8	20.2	31.6	6.5	12.8	214.9

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement £000s

Cost of Services in Service Analysis	214.9
Add net expenditure of services & support services not included in main analysis	0.0
Add amounts in the CI & E Statement not included in management accounts e.g. IAS19 pension costs	(12.6)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement e.g. pension contributions payable to the pension fund, capital financing charges	5.2

Net Cost of Services in Comprehensive Income and Expenditure Statement

207.5

Reconciliation to Subjective Analysis

	Service Analysis £m	Services not in Analysis £m	Not Included in Management Accounts £m	Not included in I&E £m	Allocation of Recharges £m	Net Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges & other service income	(14.0)	0.0	0.1	0.0	4.2	(9.7)	0.0	(9.7)
Surplus or deficit on associates and joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	(0.3)	(0.3)
Interest and investment income	0.0	0.0	0.0	0.3	0.0	0.3	(0.3)	0.0
Income from council tax	0.0	0.0	0.0	0.0	0.0	0.0	(95.6)	(95.6)
Government grants and contributions	(8.3)	0.0	(13.1)	7.0	0.0	(14.4)	(112.0)	(126.4)
Total Income	(22.3)	0.0	(13.0)	7.3	4.2	(23.8)	(208.2)	(232.0)
Employee expenses	178.4	0.0	(10.1)	(1.0)	(0.9)	166.4	55.8	222.2
Other service expenses	58.8	0.0	(0.7)	0.0	(3.3)	54.8	0.0	54.8
Support Service recharges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation, amortisation and impairment	0.0	0.0	11.2	(1.0)	0.0	10.2	0.0	10.2
Interest Payments	0.0	0.0	0.0	(0.1)	0.0	(0.1)	0.1	0.0
Precepts & Levies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments to Housing Capital Receipts Pool	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	237.2	0.0	0.4	(2.1)	(4.2)	231.3	55.9	287.2
Surplus or deficit on the provision of services	214.9	0.0	(12.6)	5.2	0.0	207.5	(152.3)	55.2

Segmental Reporting 2010/11

	Response £m	Neighbourhoods £m	Investigation £m	Tasking & Co-ordination £m	Support Services £m	Corporate £m	Other £m	Total £m
Fees, charges & other service income	(1.6)	(1.2)	(1.3)	(2.3)	(6.2)	(3.4)	(0.1)	£m (16.1)
Government grants	(0.1)	(0.4)	0.0	(0.1)	0.0	(10.6)	0.0	(11.2)
Total Income	(1.7)	(1.6)	(1.3)	(2.4)	(6.2)	(14.0)	(0.1)	(27.3)
Employee expenses	50.1	24.6	52.6	17.7	26.8	15.3	10.3	197.4
Other operating expenses	4.8	2.5	6.3	3.9	19.4	2.3	3.8	43.0
Support Service Recharges								0.0
Total operating expenses	54.9	27.1	58.9	21.6	46.2	17.6	14.1	240.4
Net Cost of Services	53.2	25.5	57.6	19.2	40.0	3.6	14.0	213.1

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement £000s

Cost of Services in Service Analysis	213.1
Add net expenditure of services & support services not included in main analysis	0.0
Add amounts in the CI & E Statement not included in management accounts e.g. IAS19 pension costs	(143.1)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement e.g. pension contributions payable to the pension fund, capital financing charges	8.3

Net Cost of Services in Comprehensive Income and Expenditure Statement

78.3

Reconciliation to Subjective Analysis

	Service Analysis £m	Services not in Analysis £m	Not Included in Management Accounts £m	Not included in I&E £m	Allocation of Recharges £m	Net Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges & other service income	(16.1)	0.0	(147.0)	5.1	0.0	(158.0)	(8.8)	(166.8)
Surplus or deficit on associates and joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest and investment income	0.0	0.0	0.0	0.2	0.0	0.2	(0.2)	0.0
Income from council tax	0.0	0.0	0.0	0.0	0.0	0.0	(98.6)	(98.6)
Government grants and contributions	(11.2)	0.0	(11.7)	9.1	0.0	(13.8)	(116.2)	(130.0)
Total Income	(27.3)	0.0	(158.7)	14.4	0.0	(171.6)	(223.8)	(395.4)
Employee expenses	197.5	0.0	4.2	(1.5)	0.0	200.2	72.0	272.2
Other service expenses	42.9	0.0	0.1	(4.0)	0.0	39.0	0.0	39.0
Support Service recharges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation, amortisation and impairment	0.0	0.0	11.3	(0.6)	0.0	10.7	0.0	10.7
Interest Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Precepts & Levies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments to Housing Capital Receipts Pool	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	240.4	0.0	15.6	(6.1)	0.0	249.9	72.0	321.9
Surplus or deficit on the provision of services	213.1	0.0	(143.1)	8.3	0.0	78.3	(151.8)	(73.5)

Comprehensive Income & Expenditure Account by Cost Type

	2009/2010 £m	2010/2011 £m
EXPENDITURE		
Police Pay, NI and Allowances	81.0	80.9
Police Staff Pay, NI, Superannuation & Allowances	74.4	62.4
Other Employee Expenditure	6.4	7.5
Total Employee Expenditure	161.8	150.8
Net Cost Police Pensions Scheme	17.3	(97.9)
Premises	8.4	8.3
Supplies and Services	28.1	26.2
Transport	4.4	4.4
Depreciation	11.2	11.0
Gross Operating Expenditure	231.2	102.8
INCOME		
Grants and Contributions	(19.5)	(21.0)
Sales	(0.1)	0.0
Fees and Charges	(3.4)	(3.4)
Rents	(0.7)	(0.1)
Total Income	(23.7)	(24.5)
Net Cost of Services	207.5	78.3
Gain or loss on disposal of fixed assets	(0.4)	(0.9)
Home Office grant payable to the cost of retirement benefits	(7.0)	(9.1)
External Interest Payable	0.1	0.0
Interest and Investment Income	(0.3)	(0.2)
Pension interest costs and expected return on pension assets	55.9	64.1
Net Operating Expenditure	255.8	132.2
Capital Grants and Contributions	(3.2)	(2.7)
Police Grants	(66.1)	(68.0)
Revenue Support Grant	(6.7)	(4.6)
National Non Domestic Rates	(29.0)	(31.8)
Precept	(95.6)	(98.6)
(SURPLUS) OR DEFICIT FOR THE YEAR	55.2	(73.5)

21. Collaborations

The Force engaged in a number of significant strategic collaborations during the year, working together with neighbouring forces on Air Support, Covert Operations, Technical Surveillance, Witness Protection and Serious Crime Investigation. As part of the Air Support collaboration, the participating forces committed to fund the replacement of the airframe.

Throughout 2010/11, the Force has been working closely with Sussex Police on establishing the framework for a number of key bilateral collaborations in areas such as Firearms, Major Crime and Forensics, for the purpose of achieving significant cash savings and maintaining and wherever possible, improving levels of service and public confidence in the agreed areas.

22. Members' Allowances

The following amounts were paid to members of the Surrey Police Authority during the year.

	As At 31 March 2010 £m	As At 31 March 2011 £m
Salaries	0.2	0.2
Allowances	0.0	0.1
Expenses	0.1	0.0
Total paid	0.3	0.3

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 2010/2011 the basic allowance was £10,622. From 1 April 2010 the positions shown below are no longer entitled to a basic allowance in addition to allowances for additional responsibilities:

- Chairman £25,000
- Vice Chairman £17,500
- Panel Chairman £14,891
- Committee Chairman £13,742
- Independent Standards Committee Chairman £3,120

23. Officers' Remuneration

The number of employees (including Police Officers) whose remuneration was £50,000 or more is as follows:

Salary Band £	2009/10			2010/11		
	Number of Employees	Seconded Employees	Total	Number of Employees	Seconded Employees	Total
50,000 - 54,999	166	6	172	146	5	151
55,000 - 59,999	81	7	88	91	5	96
60,000 - 64,999	26	2	28	21	7	28
65,000 - 69,999	7	0	7	6	1	7
70,000 - 74,999	5	1	6	4	0	4
75,000 - 79,999	8	2	10	3	4	7
80,000 - 84,999	11	0	11	6	1	7
85,000 - 89,999	2	4	6	11	2	13
90,000 - 94,999	1	1	2	1	0	1
95,000 - 99,999	1	2	3	3	1	4
100,000 - 104,999	0	0	0	0	0	0
105,000 - 109,999	2	0	2	0	1	1
110,000 - 114,999	0	0	0	0	0	0
115,000 - 119,999	1	0	1	0	0	0
120,000 - 124,999	0	0	0	1	0	1
125,000 - 129,999	0	0	0	1	0	1
130,000 - 134,999	0	0	0	0	0	0
135,000 - 139,999	0	1	1	0	1	1
140,000 - 144,999	0	0	0	0	0	0
145,000 - 149,999	0	0	0	0	0	0
150,000 - 154,999	1	0	1	1	0	1
Total	312	26	338	295	28	323

Amounts exclude employers' pension costs, but include all payments, taxable allowances and the monetary value of other employee benefits.

Employees included as seconded were on secondment to other agencies as at 31 March 2011. The costs of seconded employees are fully recovered.

Remuneration for Senior Officers with a salary between £50,000 and £150,000 with responsibility for the management of Surrey Police were:

Position	Position Start Date	Position End Date	2009/10	2010/11				
			Salary, Fees & Allowances	Salary, Fees & Allowances	Expenses Allowance	Employers Pension Contribution	Any other emoluments	Total Remuneration
			£	£	£	£	£	£
Chief Constable - Mark Rowley	12/03/2009	n/a	147,416	150,550		32,592	1,687	184,829
Deputy Chief Constable	15/06/2009	n/a	94,206	122,923		26,890	2,727	152,540
Temporary Deputy Chief Constable (1)	26/04/2009	13/06/2009	13,522					-
Temporary Deputy Chief Constable	01/03/2008	26/04/2009	9,743					-
Assistant Chief Constable (Citizen Focus) (1)	14/06/2009	12/09/2010	80,301	48,586		10,618	3,159	62,363
Temporary Assistant Chief Constable	26/04/2009	14/06/2009	12,189					-
Assistant Chief Constable (Citizen Focus) (1)	09/06/2008	25/04/2009	6,899					-
Assistant Chief Constable (Specialist Operations)	22/09/2004	n/a	110,134	117,031	39	25,220	5,975	148,265
Chief Superintendent - Investigations (5)	01/04/2010	n/a		84,623	210	18,850	3,579	107,263
Chief Superintendent - Response (5)	01/04/2010	n/a		77,442	263	18,742	4,899	101,346
Chief Superintendent - Neighbourhoods (5)	01/04/2010	n/a		88,828	585	18,850	4,159	112,422
Chief Superintendent - Tasking & Co-ordination (5)	01/04/2010	n/a		87,165	865	19,084	2,040	109,154
Chief Superintendent - Operational Development (5)	01/04/2010	n/a		81,926		18,282	4,566	104,774
Assistant Chief Officer (2)	25/01/2010	n/a	17,488	90,157	43	10,716	-	100,916
Head of Corporate Development (2)	01/06/2009	24/01/2010	43,341					-
Head of Corporate Communications	04/01/2000	25/02/2011	80,115	74,701	121	8,373	875	84,070
Director of Information and Communications	13/09/2004	30/03/2010	105,436					-
Head of Human Resources	01/08/2009	n/a	54,461	77,753	297	-	-	78,050
Director of Human Resources	09/10/2000	06/09/2009	51,779					-
Director of Finance & Services	01/10/2001	30/11/2009	73,119					-
Interim Head of Finance & Services (3)	04/11/2009	31/08/2010	31,044	30,006	244	3,601	972	34,823
Head of Finance & Services (3)	01/09/2010	n/a		42,009	614	5,041	-	47,664
Police Authority Chief Executive	23/03/2004	05/11/2009	71,217					-
Police Authority Interim Chief Executive - Alison Bolton (4)	09/11/2009	26/09/2010	34,155	47,918	285	6,420		54,623
Police Authority Chief Executive - Alison Bolton (4)	27/09/2010	n/a		42,421	174	5,699		48,294
Police Authority Treasurer	09/05/2005	n/a	46,524	46,851	440	5,365		52,656
			1,083,089	1,310,892	4,179	234,343	34,638	1,584,052

(1) Positions covered by same employee

(2) Positions covered by same employee

(3) Positions covered by same employee

(4) Positions covered by same employee

(5) New positions for 2010/11 following the OPR review and move from 3 BCUs to Operational Commands

24. External Audit Costs

	As At 31 March 2010 £m	As At 31 March 2011 £m
External Audit Costs		
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	0.077	0.082
Fees payable to the Audit Commission in respect of statutory inspections	0.020	0.020
Fees payable in respect of other services provided by the Audit Commission during the year	0.019	0.000
Total	0.116	0.102

The amount of £0.019m in 2009/10 relates to an additional audit fee in that year.

25. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2009/2010 £m	2010/2011 £m
Income credited to Policing Services		
Police Community Support Officers	4.4	4.4
Crime Fighting Fund	4.1	4.1
Counter Terrorism	1.2	1.3
Regional Allowance	1.4	0.9
Special Priority Payments	1.0	0.6
DNA	0.7	0.4
BCU Fund	0.4	0.4
IPLDP Training	0.5	0.3
Proceeds of Crime Act	0.1	0.3
LPSA	0.0	0.1
Olympics	0.0	0.1
Invest to Save	0.1	0.0
Sexual Assault Referral Centre	0.1	0.0
Other Smaller Grants	0.1	0.0
Total credited to policing services	14.1	12.9
Other Operating Expenditure		
Home Office grant payable to the cost of retirement benefits	7.0	9.1
Total credited to other operating expenditure	7.0	9.1
Taxation and Non Specific Income		
Capital Grants and Contributions	3.2	2.7
Revenue Support Grant	6.7	4.6
Precept Income	95.6	98.6
NNDR	29.0	31.8
Police Grant	66.1	68.0
Total credited to taxation and non specific income	200.6	205.7

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.

Counter Terrorism

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

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.

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.

BCU Fund

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

IPLDP Training

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

Proceeds of Crime Act

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

LPSA

A grant from the Office of the Deputy Prime Minister to encourage Local Authorities to work together to deliver a selection of national and local priorities.

Olympics

A Home Office grant to reimburse forces awarded primary force status for expenditure incurred in planning for, and delivering, policing for the London 2012 Olympics.

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.

Sexual Assault Referral Centre

A Home Office Grant to fund the provision of centres to increase support for victims of sexual assault and their respective families.

Home Office grant payable to the cost of retirement benefits

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

26. Related Parties

During the 2010/11 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 £7.8m during 2010/2011 (£7.4m in 2009/10).

Surrey Police Authority Members

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 Chairman of Guildford Borough Council's Standards Committee. Surrey Police Authority had non-precept related transactions with Guildford Borough Council as follows:

Purchases £0.3m Year-end balance: £0.0m
Income £0.1m Year-end balance: £0.0m

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, apart from one who is a trustee/director of 'KeepOut' – The Crime Diversion Scheme, with whom no related party transactions occurred in 2010/11.

27. Capital Expenditure and Capital Financing

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 Property, Plant and Equipment note (note 5).

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 23 (Leases).

Expenditure	2009/ 2010	2010/ 2011
	£m	£m
Buildings	1.6	0.6
Vehicles & Plant	1.6	2.9
Equipment	0.2	0.1
Information technology systems	5.9	6.6
Communication technology	0.7	0.1
Total Expenditure	10.0	10.3
Financing		
Home Office Capital Grants Applied	2.4	3.2
Capital Receipts Applied	7.0	5.9
Direct Revenue Financing	0.5	0.5
Other Contributions	0.1	0.2
Internal Borrowing	0.0	0.5
Total Financing	10.0	10.3

Capital Commitments

Outstanding Contracts & Commitments

Surrey Police had a contractual obligation relating to the development and implementation of Enterprise (CIS Development) totalling £0.9m at 31st March.

The Capital Financing Requirement shows the capital expenditure incurred historically by the Authority that has yet to be financed. The balances are shown in the table below. The 2009/10 closing balance shown below has been restated in accordance with IFRS.

	2009/ 2010 £m	2010/ 2011 £m
Opening Capital Financing Requirement	13.0	10.0
Closing Capital Financing Requirement	10.0	9.3

28. Leases

As at the 31st March 2011, 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 2010/11 was £0.1m (2009/10 £0.2m).

Land and Buildings

In addition to 3 property finance leases being reclassified as operating leases, the Authority entered into 6 new operating leases for land and buildings during 2010/11. For these and existing arrangements held under operating leases during 2010/11 rental payments were £0.6m (09/10 £0.4m).

Commitments Under Operating Leases

The Authority was committed at 31st March 2011 to making payments of £1.3m under operating leases in 2011/12 comprising the following elements:

	Leases expiring in 2011/12 £m	Leases expiring between 2012/13 to 2015/16 £m	Leases expiring from 2016/17 Onwards £m
Land and Buildings	1.3	2.7	2.8
Total	1.3	2.7	2.8

Long Term Liabilities

Finance Leases

Equipment - The Authority had 2 leases for ICT equipment (Equipment Lease 1 and Equipment lease 2) under finance lease arrangements during 2010/11. The rentals payable under these and existing arrangements was £0.2m during 2010/11, of which

finance costs of £0.007m were charged to the Comprehensive Income and Expenditure Statement as interest payable.

Land and Buildings – In accordance with IFRS, 3 property lease arrangements previously accounted for as finance leases have been reclassified as operating leases.

Fixed assets stated in the Balance Sheet include operational assets acquired under a finance lease as follows:

	31 March 2010 NBV	31 March 2011 NBV
Other Land & Buildings	1.8	1.6
Vehicles, Plant & Equipment	0.6	0.7
Total	2.4	2.3

As at 31st March 2011, the Authority was committed to making the following payments in respect of finance leases in the following years:

	Obligations payable in 2011/12 £m	Obligations payable between 2012/13 to 2015/16 £m	Obligations payable from 2016/17 Onwards £m	Obligations payable for all years £m
Land and Buildings	1.8	0.0	0.0	1.8
Vehicles, Plant and Equipment	0.1	0.0	0.0	0.1
Total	1.9	0.0	0.0	1.9

29. Private Finance Initiatives and Similar Contracts

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.

30. Defined Benefit Pension Schemes

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 need 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 pension liabilities with investment assets.
- The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme, the funding arrangements of which are contained in the Police Pension Fund Regulations 2007 (SI 2007/1932). The Authority and employees pay contributions into the fund during the year, but there are no investment assets built up to meet the pension liabilities and payments as they fall due. The regulations require that if the pension fund does not have enough funds to meet the cost of pensions in any year, the amount required to meet the deficit must be transferred from the Police Authority to the pension fund. Subject to Parliamentary scrutiny and approval, up to 100% of this amount is then recouped by the Police Authority in the form of a top-up grant paid by central Government. Conversely, if the police pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police Authority, which in turn is required to pay the amount to central Government.

30.1. 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 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year.

	Police Pension Scheme		Local Government		Total	
	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m
Income and Expenditure Account						
Net Cost of Services:						
Current Service Cost	22.7	37.2	4.4	10.1	27.1	47.3
Past Service Cost	0.0	(127.1)	0.0	(19.9)	0.0	(147.0)
Curtailment and Settlements	0.0	0.0	0.4	0.3	0.4	0.3
Net Operating Expenditure:						
Interest Cost	53.6	62.4	6.9	9.7	60.5	72.1
Expected return on assets in the scheme	0.0	0.0	(4.6)	(8.0)	(4.6)	(8.0)
Net charge to the Income and Expenditure Account	76.3	(27.5)	7.1	(7.8)	83.4	(35.3)
Statement of Movement on the General Fund Balance						
Reversal of net charges made for retirement benefits in accordance with IAS19	(76.3)	27.5	(7.1)	7.8	(83.4)	35.3
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to scheme	0.0	0.0	7.9	8.1	7.9	8.1
Retirement benefits payable to pensioners	29.3	34.9	0.0	0.0	29.3	34.9

30.2. 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	
	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m
1st April balance b/fwd	(781.2)	(1,171.6)	(97.2)	(185.9)	(878.4)	(1,357.5)
Current service cost	(22.7)	(37.2)	(4.4)	(10.1)	(27.1)	(47.3)
Interest cost	(53.6)	(62.4)	(6.9)	(9.7)	(60.5)	(72.1)
Contributions by scheme participants	0.0	0.0	(3.6)	(3.7)	(3.6)	(3.7)
Actuarial (losses) / gains	(343.4)	30.0	(75.6)	32.6	(419.0)	62.6
Estimated Unfunded benefits paid	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Benefits paid	29.3	34.9	2.2	3.4	31.5	38.3
Past service costs	0.0	127.1	0.0	19.9	0.0	147.0
Curtailment and settlements	0.0	0.0	(0.4)	(0.3)	(0.4)	(0.3)
31st March balance c/fwd	(1,171.6)	(1,079.2)	(185.9)	(153.8)	(1,357.5)	(1,233.0)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2009/10 £m	2010/11 £m
1st April balance b/fwd	67.2	106.6
Expected return on assets	4.6	8.0
Actuarial gains / (losses)	25.5	(3.1)
Employer contributions	7.9	8.1
Contributions in respect of Unfunded Benefits	0.0	0.0
Contributions by scheme participants	3.6	3.7
Unfunded benefits paid	0.0	0.0
Benefits paid	(2.2)	(3.4)
31st March balance c/fwd	106.6	119.9

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 £9.9m, (2009/10 £30.2m).

Scheme history:

	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Present value of liabilities:					
Local Government Pension Scheme	(105.2)	(94.5)	(97.2)	(185.9)	(153.8)
Police Pension Scheme	(926.9)	(809.3)	(781.2)	(1,171.6)	(1,079.2)
Fair value of assets:					
Local Government Pension Scheme	74.2	78.8	67.2	106.6	119.9
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(31.0)	(15.7)	(30.0)	(79.3)	(33.9)
Police Pension Scheme	(926.9)	(809.3)	(781.2)	(1,171.6)	(1,079.2)
Total	(957.9)	(825.0)	(811.2)	(1,250.9)	(1,113.1)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £1,113.1m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £997.9m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

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

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

30.3. 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 2012 are £7.2m. Expected contributions for the Police Pension Scheme in the year to 31 March 2012 are £16.1m.

30.4. 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 2011. Surrey Police Authority has applied the pension disclosures from Government Actuary's Department (GAD) model in accordance with the requirements of CIPFA's Code of Practice for accounting periods commencing on or after 1 April 2010. The accuracy of the outcome can only be assessed against the results of a full actuarial valuation as at 31 March 2011, and may be materially different from those results.

The principal actuarial assumptions used have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2009/10	2010/11	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:				
Equity Investments	7.8%	7.5%	-	-
Bonds	5.0%	4.9%	-	-
Property	5.8%	5.5%	-	-
Cash	4.8%	4.6%	-	-
Rate of inflation	3.8%	2.8%	3.9%	3.0%
Rate of increase in salaries	5.3%	5.1%	5.4%	5.3%
Rate of increase in pensions	3.8%	2.8%	3.9%	2.6%
Rate for discounting scheme liabilities	5.5%	5.5%	5.8%	5.7%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.9 years		24.1 years	
Women	24.0 years		27.3 years	
Longevity at 65 for future pensioners:				
Men	23.9 years		26.1 years	
Women	25.9 years		29.2 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	Asset Distribution
	31 March 2010	31 March 2011
	%	%
Equity investments	75%	76%
Bonds	17%	16%
Property	6%	5%
Other	2%	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 2011 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.

30.5. 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 amounts and as percentages of assets or liabilities at 31st March each year:

	2006/07		2007/08		2008/09		2009/10		2010/11	
	£m	%	£m	%	£m	%	£m	%	£m	%
Local Government Pension Scheme:										
Difference between the expected and actual return on assets	0.0	0.0	(8.1)	(10.2)	(25.4)	(37.8)	25.5	24.0	1.9	1.6
Experience gains / (losses) on liabilities	0.0	0.0	4.4	(4.7)	0.0	0.0	0.0	0.0	(7.9)	5.1
Police Pension Scheme:										
Experience gains / (losses) on liabilities	32.2	(3.5)	9.4	(1.2)	1.1	(0.1)	20.5	(1.8)	20.8	(1.9)

30.6. Financing of Police Pensions

The service cost of employees is reflected in the Comprehensive 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, shown below, shows a deficit of £9.1m, offset by a transfer from the Income and Expenditure Account, funded by a grant from the Home Office. The Fund's Financial Statements do not take account of liabilities to pay pensions and other benefits after the period end.

SURREY POLICE PENSION FUND ACCOUNT

FUND ACCOUNT	2009/2010 £m	2010/2011 £m
Contributions receivable		
from employer		
normal	(15.4)	(15.9)
early retirements	(0.1)	(0.2)
other	0.0	0.0
from members	(6.8)	(7.0)
Transfers in		
individual transfers in from other schemes	(0.6)	(0.3)
other	0.0	0.0
Benefits payable		
pensions	23.7	24.8
commutations and lump sum retirement benefits	5.8	7.5
lump sum death benefits	0.1	0.1
lump sum ill-health benefits	0.0	0.0
Payments to and on account of leavers		
refund of contributions	0.0	0.0
individual transfers out to other schemes	0.3	0.1
other	0.0	0.0
Sub-total for the year before transfer from the Police Authority of amount equal to the deficit	7.0	9.1
Additional funding payable by the Police Authority to fund the deficit for the year	(7.0)	(9.1)
Total	0.0	0.0
NET ASSETS STATEMENT	2009/2010 £m	2010/2011 £m
Net current assets and liabilities		
contributions due from employer	0.0	0.0
unpaid pension benefits	0.0	0.0
amount due to sponsoring department	0.0	0.0
other current assets and liabilities	0.0	0.0
Net assets and liabilities	0.0	0.0

31. Contingent Liabilities

Although the accounts include (through the establishment of provisions and creditors) known liabilities faced by the Police Authority at 31st March 2011, they exclude potential costs where the liability is not yet established and the amounts are uncertain. There were no contingent liabilities identified for 2010/11.

32. Contingent Assets

There were no contingent assets identified for 2010/11.

33. 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 Head of Finance 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 £17.1m (2009/10 £15.8m), and cash and temporary loan investments £14.4m (2009/10 £15.0m). 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 2010/11 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 2011. 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 the 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 2011, the Authority had no borrowing outstanding but held £14.4m in variable rate loan investments (2009/10 £15.0m). If interest rates had been 1% higher, with all other variables held constant, additional interest receivable of £0.3m 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 policy note Financial Instruments - Financial Assets).

Foreign Exchange Risk

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

Market Failure Risk

The Authority remains exposed to the market failure experienced in 2008/09 on funds held by Surrey County Council on behalf of Surrey Police in Icelandic Banks (see note 13 for details).

34. Official Funds

Surrey Police Authority 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 savings account is included in the cash balances and creditors.

Receipts to the 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. The Authority's internal audit provider carries out the audit of this fund account.

GLOSSARY OF ACCOUNTING TERMS

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

AMORTISATION

An annual charge 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, and not merely maintains, the 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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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.

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 of or amendment to the terms, of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBTORS

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

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

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

FAIR VALUE

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

FINANCE LEASE

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

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.

GOING CONCERN

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

GOVERNMENT GRANTS

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

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 fixed asset or a significant adverse change in the statutory or regulatory environment in which the Authority operates.

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.

INVESTMENTS (PENSION FUND)

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

LIQUID RESOURCES

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, ie their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

OPERATING LEASE

A lease other than a finance lease.

PAST SERVICE COSTS

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

POLICE GRANT

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

PRECEPT

An amount determined by the 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 increases; and
- b) The accrued benefits for member in service on the valuation date.

PROVISION

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

RELATED PARTIES

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

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

RELATED PARTY TRANSACTION

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

RESIDUAL VALUE

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

REVENUE SUPPORT GRANT

Central Government grant supporting the cost of public services.

SCHEME LIABILITIES

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

SETTLEMENT (PENSIONS)

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

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

WORK IN PROGRESS

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