



# Police and Crime Commissioner for Cumbria

## Statement of Accounts | 2015-16





Police and Crime Commissioner  
for Cumbria

Statement of Accounts 2015/16

## About this Publication

This publication contains both the single entity financial statements for the Police and Crime Commissioner for Cumbria (the Commissioner) and the financial statements for the group position which incorporates those of the Chief Constable for Cumbria Constabulary.



The Statement of Accounts for 2015/16 is available on the Commissioner's website at [www.cumbria-pcc.gov.uk](http://www.cumbria-pcc.gov.uk).

The corresponding accounts for the Chief Constable can be found on the Constabulary website at: [www.cumbria.police.uk](http://www.cumbria.police.uk)



The Statement of Accounts is also available in printed format from the office of the Police and Crime Commissioner for a nominal fee of £15 per copy.

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# Police and Crime Commissioner for Cumbria

## Statement of Accounts 2015/16

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The **PCC CFO Narrative Report**. For a quick, highly summarised version of this Statement of Accounts please read the next 13 pages. **The full story starts on page 16**, please read that too.

Please see page 31 for a full list of the notes to the accounts and cross references to page numbers.

Throughout this publication wherever a word, phrase or acronym is shown in teal coloured text and underlined an explanation is provided in the Glossary of Terms.

## Introduction

I am pleased to introduce the financial Statement of Accounts for the 2015/16 financial year. This financial statement sets out both the single entity statements of the Police and Crime Commissioner for Cumbria and the consolidated group position, incorporating the statements of the Chief Constable for Cumbria Constabulary. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

This section of the statements is the Narrative Report. The purpose of the report is to offer readers a guide to the most significant matters reported in our statement of accounts. It sets out our overall financial position and a series of mini statements summarising and explaining the primary financial statements. It includes information on our performance and value for money. A commentary is also provided to set out the major influences impacting our income and expenditure in the current and future financial years.

By providing this information we aim to support our readers with an understandable and informative narrative on those matters most significant to our financial position and our financial and non-financial performance. This narrative report is provided as part of the overall publication of the financial statements and also as a standalone report. It can be accessed through the Commissioner's website: [www.cumbria-pcc.gov.uk](http://www.cumbria-pcc.gov.uk) together with the single entity statements of the Chief Constable.

## Statutory Framework

The Police and Crime Commissioner was established as a statutory entity under the Police Reform and Social Responsibility Act 2011 (PRSRA 2011). The PRSRA 2011 provides that there will be a Police and Crime Commissioner for each police area with responsibility for ensuring the maintenance of the police force for the area, securing that the police force is efficient and effective and holding the Chief Constable to account. The Commissioner has wider responsibilities than those solely relating to the police force. These include responsibility for the delivery of community safety and crime reduction, the enhancement of the delivery of criminal justice in their area and providing support to victims.

The PRSRA 2011 also established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The

Chief Constable is accountable to the Commissioner for leadership of the force, the delivery of efficient and effective policing and the management of resources and expenditure.

The PRSRA 2011 sets out the statutory financial framework for the Commissioner and Chief Constable. The legislation provides for the Secretary of State to issue a financial code of practice in relation to the proper administration of financial affairs. The Home Office under the legislation issues a Financial Management Code of Practice for the Police Forces of England and Wales. The Code supports the statutory framework further setting out the financial relationships and requirements for the Commissioner and Chief Constable.

This financial framework provides that the Commissioner receives all funding, including government grants, council tax income and other sources of income related to policing and crime reduction. The Commissioner decides the budget, allocating assets and funds to the Chief Constable. This, in addition to the powers of the Commissioner to set the strategic direction for policing and appoint and dismiss the Chief Constable, creates a subsidiary relationship between the Commissioner and the Chief Constable. As such, the Commissioner must publish a set of group accounts in addition to single entity accounts. The Chief Constable must publish single entity accounts and provide information to the Commissioner to support the publication of the group accounts.

## Our Organisation



The Police and Crime Commissioner is supported by an office of 10.9fte staff including two statutory officers. The Chief Constable is accountable to the Commissioner and has responsibilities to support the

# PCC Chief Finance Officer Narrative Report

Commissioner in the delivery of the strategy and objectives set out in the Police and Crime Plan. Both entities have appointed a Joint Audit and Standards Committee and a Joint Ethics and Integrity Panel. The Committee and Panel comprise independent members to oversee arrangements for governance, including financial reporting and the arrangements for integrity and ethical behaviour. Four Custody Visiting Panels fulfil the statutory requirement for independent review of custody. Membership of the panels at the end of 2015/16 were: Barrow 10; Kendal 8, North Cumbria 12 and West Cumbria 11.

## Our Goals

The Commissioner sets the strategic direction for policing and wider interventions within the Police and Crime Plan. The vision for our plan is that Cumbria remains a safe place to work and visit, where the public has a say in policing and organisations and community groups work together to address the causes of crime, as well as the consequences. Key priorities include keeping crime at low levels, reducing the impact of anti-social behaviour, bringing criminals to justice and reducing the harm caused by hate crime, domestic abuse and sexual abuse.

We work to achieve this by holding the Chief Constable to account for the delivery of effective policing and by commissioning a range of activity and interventions with the Constabulary and our wider partners. The Police and Crime Commissioner Elections in May 2016 means that our Police and Crime Plan 'Making Cumbria an Even Safer Place' will continue until a new plan has been agreed by the new incumbent Commissioner setting out our future strategy and goals.

## Our People

Our people are the most important resource we have in achieving our goals. Our values commit to having an empowered staff who are high performing, professional and have high levels of satisfaction in their roles. The gender diversity within the Commissioner's office and the Constabulary performs well. At Chief Officer Level, excluding the elected Police and Crime Commissioner, 50% of the single entity Chief Officers are female as are 100% of senior managers. A breakdown by gender of the number of men and women across the organisation at the end of the financial year and the number of men and women who were managers is set out below.

Actual Employees as at 31 March 2016	PCC	
	Male FTE	Female FTE
<b>PCC Single Entity</b>		
Chief Officers	1	1
Senior Management	0	2
All Other Employees	0	7
<b>Total PCC Employees</b>	<b>1</b>	<b>10</b>
<b>Group</b>		
Chief Officers	9	4
Senior Management	11	3
All Other Employees	952	791
<b>Total Group Employees</b>	<b>972</b>	<b>798</b>

## Chief Executive Report

2015/16 marks the final full year of the term of the first Police and Crime Commissioner for Cumbria. It has also seen the culmination of a number of projects and work programmes that commenced in November 2012 with the introduction of Cumbria's first Police and Crime Plan. Over that time the Commissioner's Office has worked diligently to establish the governance and financial frameworks necessary to fulfil statutory, regulatory and best practice requirements, supported by the relevant professional bodies for Local Authorities and Police.

We have also developed effective relationships with key local government and wider partner agencies to develop initiatives and commission activity to reduce crime, support victims and enhance community safety and criminal justice. We have rationalised the Commissioner's estate, opened a new purpose built Police Area Headquarters in Barrow, implemented a state of the art county wide CCTV system, launched a range of services for victims of domestic and sexual violence and commissioned innovative perpetrator programmes that have attracted Home Office funding to reduce crime and its impact on our communities. This activity has been driven by public consultation and engagement. The Commissioner has held over 80 public events and has responded to over 5000 contacts with the public – by phone, email and correspondence - per year during his term, in addition to receiving an average of 1500 hits to the PCC website each month.

Whilst overall crime has increased during 2015/16 we understand the reasons for this and are working with the Constabulary to address areas of concern. Activity



# PCC Chief Finance Officer Narrative Report

in support of the key aims of the Police and Crime Plan to reduce anti-social behaviour and increase reporting for hate crimes and domestic and sexual violence have delivered positive outcomes against performance measures. Repeat victims for domestic violence are now reducing, indicating the effectiveness of newly commissioned services for support.

In May 2016 a new Police and Crime Commissioner was elected to office. Our financial plans provide resources that will enable us to respond to new priorities and initiatives in support of the 2016-2020 Police and Crime Plan. I am confident that our level of resources and the skills and capability of the team will ensure the continued effectiveness of support to the newly elected Commissioner in delivering future strategy and fulfilling the key accountabilities of the role.

## Finance Review

### 2015/16 Grant Settlement and Budget

The Commissioner set a combined net revenue budget of £94.871m for 2015/16 on 24 February 2015. Funding of this amount came from the Police Grant settlement (£59.884m) and income from Council Tax (£34.987m). The budget increased the Council Tax precept by 1.90%, taking the Commissioner's proportion of the band D equivalent tax to £212.58 per annum. The effect of the increase is to support the medium term financial forecast and mitigate some of the impact of the £3.225m reduction in Police Grant compared to 2014/15. The budget provided funding for the Chief Constable of £108.513m comprising a £112.480m expenditure budget to support policing and an income budget of £3.967m. The Commissioner's budget provided £2.699m for Commissioned Services, to provide funding for partnership working across the Commissioner's wider community safety, crime reduction and victim support responsibilities.

The capital budget was set at £9.941m. Capital expenditure is made up broadly of expenditure on assets that have a useful life of beyond one year. The budget included provision for the new South Territorial Policing Area Headquarters at Barrow and a new Strategic Command and Deployment Centre at Penrith. The budget was funded from capital grants (£0.5m), internal borrowing (£2.0m), direct contributions from revenue (£1.2m), capital receipts (£1.3m) and capital reserves (£4.9m).

The table below shows the summary revenue budget for 2015/16 as set on 24 February, the revised budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit). The presentation above is as the figures are reported throughout the year in the management accounts. At the year-end a number of technical accounting adjustments (required by proper accounting practice) are made. For this reason, the outturn in the table above will not reconcile directly to the Summary Comprehensive Income and Expenditure statement on page 8. References to the PCC relate to the Police and Crime Commissioner.

### Summary Budget and Outturn

Summary Budget & Provisional Outturn	Base Budget 2015/16 £000s	Revised Budget 2015/16 £000s	Provisional Outturn 2015/16 £000s	(Under)/ Overspend 2015/16 £000s
Constabulary Budget	108,513	108,577	108,258	(319)
Office of the PCC	799	794	768	(26)
Other PCC budgets	15,371	16,019	15,845	(174)
Grants/Contributions	(25,454)	(26,415)	(26,387)	28
To/(From) Reserves	(4,358)	(4,104)	(3,613)	491
<b>Net Expenditure</b>	<b>94,871</b>	<b>94,871</b>	<b>94,871</b>	<b>0</b>
Government Grants	(59,884)	(59,884)	(59,884)	0
Council Tax	(34,987)	(34,987)	(34,987)	0
<b>Total External Funding</b>	<b>(94,871)</b>	<b>(94,871)</b>	<b>(94,871)</b>	<b>0</b>

The Constabulary gross expenditure budget is made up of funding for employee costs (£98.5m; of which Police Officers comprise £76.35m), transport costs of £2.47m and supplies/other costs of £11.50m. The Commissioner's budgets comprise the costs of running his office (£0.799m) and the net position on a range of other costs. These include estates costs (£3.72m for premises used by the Constabulary and Commissioner), Commissioned Services (£2.7m to deliver the Police and Crime Plan) and budgets to finance capital expenditure and the costs of technical accounting adjustments (£5.75m). PCC other budgets also include the costs of insurance and past pension costs. Overall expenditure was supported by a £4.36m net contribution from reserves.

### In-Year Financial Performance

Revenue Expenditure: The out-turn position for 2015/16 is a small underspend of £491k, equating to

0.5% of the revised net budget of £94.871m. This position performs well against the target for the revenue budget which is for actual expenditure to be within 2% of the budget at out-turn. The overall underspend is the combined result of an underspend on the Commissioner's budgets of £172k and an underspend on Constabulary budgets of £319k. In both cases the financial outturn reflects the collective impact of a number of small variations across different budget headings and includes an over-achievement of income as well as some areas of the budget that have experienced an overspend. Detailed outturn reports that explain the full range of variances can be found on the budget and finance section of the Commissioner's website.

Whilst the overall position against the budget is an underspend, there have been a number of applications to carry budget forward against specific schemes and projects that have experienced delays to their delivery during 2015/16. The cumulative requests for budget carry forward amount to £886k and exceed the resources available as a result of the underspend. In approving the out-turn position, the Commissioner has agreed to the underspend being used to establish a budget carry forward reserve that will be available to meet a proportion of these costs. Further work will be undertaken by the Constabulary and Commissioner to determine wider options for resourcing the balance of expenditure in 2016/17.

The Commissioner maintains the Police Property Act Fund. The fund has been accumulated over a period of time as a result of the disposal of property coming into the possession of the police under the Police Property Act 1987 and the Powers of the Criminal Courts Act 1973. Community groups and individuals can submit applications for funding on a quarterly basis. During 2015/16 awards totaling £10.2k were made. As at 31 March 2016 the Police Property Act fund balance stood at £66k.

The 2015/16 Capital Expenditure Outturn amounted to £9.0m against a revised budget of £11.6m. During the year the Police Estate has been enhanced with the launch of a county-wide CCTV scheme that helps track offenders, gather evidence and acts as a deterrent against anti-social behaviour and crime. The Commissioner also opened a new state of the art Police Area Headquarters at Barrow for the South of the County. The new Barrow Police Station hosts 230 officers, 20 PCSOs and 40 police staff and integrated custody facilities including 18 cells. The Front Desk is open to the public seven days a week. Enabling works have commenced at Police HQ in preparedness for

the construction of a Strategic Command Centre and Deployment Centre for Penrith. The ICT capital programme also delivered £3.3m of investment in hardware and infrastructure including the deployment of smartphone devices to officers and staff as part of the move to mobile and digital working. A further £0.58m has been invested in the vehicle fleet, a total of £4.5m on the building estate and £0.71m on other capital schemes.

The variance between actual expenditure and the revised budget is £2.6m (22.6%), which is significantly outside the 10% target for variations in capital expenditure. Whilst actual performance has fallen substantially short of target, the result represents a marginal improvement compared to 2014/15 where 27% of the programme experienced slippage. The main reasons for the variation arise as a result of supplier technical manufacturing issues with ICT mobile devices that has resulted in a business decision to delay procurement. Business decisions were also taken to put a number of other projects in the capital programme on hold following government funding announcements during summer 2015. All other schemes have largely been delivered in accordance with the capital programme profile.

## The Financial Statements

This section of the narrative report provides an explanation of the various parts of the financial statements alongside a high level summary and narrative on the financial position. The aim of the statements are to demonstrate to the reader the overall financial position of the Commissioner at the end of the financial year, together with the cost of the services provided during the year and the financing of that expenditure. The reporting format is specifically designed to meet the requirements of the Code of Practice on Local Authority Accounting. A series of notes are provided to assist readers in their understanding of the statement, whilst the presentational format is designed to make for easier reading by those who access the document through the Commissioner's website. The key financial statements are:

- The Movement in Reserves Statement (MiRS)
- The Comprehensive Income and Expenditure Statement (CI&ES)
- The Balance Sheet (BS)
- The Cash Flow Statement (CFS)
- The Police Officer Pension Fund Accounts



## Movement in Reserves Statement

This statement shows the different reserves held by the Commissioner. These are analysed into 'Usable Reserves' and 'Unusable Reserves'. Usable reserves can be used to fund expenditure. They may help to pay for future costs or reduce the amount we need to raise in council tax to meet our expenses. Unusable Reserves are principally technical accounting adjustments. The Movement in Reserves Statement shows the opening balance on all reserves at the start of the year, movements in year and the closing balance. The Movement in Reserves statement is shown on page 24 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

Summary Movement in Reserves	Balance 31/03/2015 £000s	Movements 2015/16 £000s	Balance 31/03/2016 £000s
Police Fund	5,149	(2,149)	3,000
Earmarked Revenue Reserves	13,844	(10,651)	3,193
Earmarked Capital Reserves	8,543	9,187	17,730
Capital Receipts	0	556	556
Capital Grants Unapplied	4,732	710	5,442
Total Usable Reserves	<b>32,268</b>	<b>(2,347)</b>	<b>29,921</b>
Unusable Reserves	(1,128,291)	134,772	(993,519)
Total Reserves	<b>(1,096,023)</b>	<b>132,425</b>	<b>(963,598)</b>

Movements in usable reserves for 2015/16 show a net balance of -£2.347m. This is the cumulative position recording the amounts we have taken out of specific (earmarked) reserves to help fund expenditure during the year, and the contributions to reserves that we have decided to make to meet expenditure in future years. There are separate accounts to record our receipt and use of income from the sale of property and government grants for capital expenditure. Capital receipts amount to £0.556m and were received following the sale of Wigton Police Station and two police houses. Capital grants amounted to £0.710m representing the receipt of the Home Office annual general capital grant.

The most significant changes to usable reserves represent the movement of resources from earmarked revenue reserves and the reduction in the police fund. Together this movement reduces general and earmarked revenue reserves by £12.8m and increases capital reserves by £9.1m. This is the net impact of a number of decisions that responded to government funding announcements in autumn 2015 and the Cumbria floods in December 2015. The

Comprehensive Spending Review (CSR) announced protections for police funding nationally over four years and transitional funding to support any changes in local formula funding. This, together with announcements to withdraw proposals in respect of formula funding changes, provided an opportunity to review the requirements around revenue reserves held to manage risks and transitional costs. Within a month of those announcements the December 2015 Cumbria floods highlighted significant resilience issues within the Police Estate to the west and at Headquarters Penrith. As part of the 2016/17 budget process the Commissioner approved a major capital scheme for the west of the County and enhancements to existing capital schemes planned for HQ, funded from a reduction in general and earmarked revenue reserves.

At the end of the year, the Police Fund at 31 March 2016 stands at £3.0m and provides for unplanned financial risks. Earmarked revenue reserves are £3.193m. These reserves provide for a number of specific operational contingencies, one off budget/project costs and funding to meet future liabilities in respect of insurances and the PFI contract. The most substantial area of reserves at £17.730m are now those set aside to fund the capital programme, all of which is planned to be fully applied by 2020/21. Further detail on earmarked reserves is provided within note 5 to the statement of accounts on pages 38-39.

At the 31<sup>st</sup> March 2016 we have negative unusable reserves of £993.519m. Unusable reserves provide a mechanism through which transactions are entered into the accounts in accordance with accounting standards. They also provide the means to manage differences in the timing and calculation of those transactions and the actual expenditure or income we need to charge to our accounts. For example, our properties are regularly re-valued. When this happens any increase in their value is shown in a revaluation reserve. The reserve 'records' the additional income we may receive when the property is sold, but it is 'unusable' until we decide to dispose of the property and achieve a sale. When we sell, the revaluation reserve will be reduced by any increase in value that was recorded before sale. The actual income we receive will be shown in our usable capital receipts reserve, where it can be used to fund new capital expenditure. The balance on our unusable reserves reflects the position following the required accounting transactions. The cumulative position for unusable reserves includes reserves of £47.280m in

respect of the revaluation reserve and capital adjustment account, recording accounting transactions for our capital assets and negative pensions reserves totaling -£1.039bn. The pensions reserves records accounting transactions for the Police and Local Government Pension Schemes. Whilst the balance on this reserve is negative the movement in year has been positive as a result of changes in actuarial assumptions that have had a beneficial impact on scheme liabilities.

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CI&ES) shows the cost of the different policing services provided in the year and the income from government grants and council tax that fund those services. The CI&ES is shown on page 26 of the full statement of accounts. A subjective analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the Technical Annex (Annex B) in section C Segmental Reporting on page 110).

The table below sets out a summary CI&ES statement.

Summary CI&ES	Gross Expenditure 2015/16 £000s	Gross Income 2015/16 £000s	Net Expenditure 2015/16 £000s
Local Policing	47,714	(1,856)	45,858
Dealing with the public	8,796	(27)	8,769
Criminal justice arrangements	9,871	(443)	9,428
Road policing	6,289	(1,433)	4,856
Specialist operations	4,195	(314)	3,881
Intelligence	5,904	(81)	5,823
Investigation	14,573	(857)	13,716
Investigative support	3,387	(86)	3,301
National policing	1,714	(1,319)	395
Other costs	3,409	0	3,409
<b>Cost of Services</b>	<b>105,852</b>	<b>(6,416)</b>	<b>99,436</b>
Other operating expenditure	18,371	(18,418)	(47)
Financing Costs and Investment Income	42,891	(3,751)	39,140
Council tax and grant income	0	(101,882)	(101,882)
<b>(surplus)/deficit on the provision of services</b>	<b>167,114</b>	<b>(130,467)</b>	<b>36,647</b>
Other comprehensive income and expenditure			(169,072)
<b>Total Comprehensive income and expenditure</b>			<b>(132,425)</b>

The Statement is prepared in accordance with the service expenditure analysis required by the Service

Reporting Code of Practice (SERCOP). This analysis is developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). It sets out how various types of expenditure should be grouped together e.g. roads policing costs, local policing costs, investigations.

The statement shows a net cost of services of £99.436m. Local policing, which includes the costs of neighbourhood policing, incident management, local investigation and community liaison is attributable for nearly half of that cost (£45.858m). The next most significant area of expenditure is investigations, which represents the costs of the crime command undertaking major investigations, including those into serious and organised crime. This area of policing also includes the public protection unit managing serious offenders.

In addition to showing the cost of policing services, the CI&ES also sets out net financing costs of £39.140m. The most significant element of financing costs comprise pension charges (£38.630m). These charges are calculated in accordance with generally accepted accounting practices and do not all need to be funded in the 2015/16 financial year. Financing costs also include the costs of borrowing (capital financing). These costs are extremely low other than those that fund the Workington PFI building. This is because the capital programme is funded internally using cash reserves to reduce investment risk and reflect the relatively low interest rates available on investing such balances. At the end of the financial year £18.674m (inclusive of PFI contract) of the capital programme is funded by the use of cash backed internal reserves rather than borrowing from the open market. At some point in the future, due to a planned reduction in reserves, the Commissioner will need to consider external borrowing.

Showing expenditure and income within this statement in accordance with generally accepted accounting practices results in expenditure exceeding income (a deficit on the provision of services) by £36.647m. A further accounting adjustment of £169.072m income through the 'other comprehensive income and expenditure' line results in an overall position on the statement of a surplus of £132.425m. This is an accounting surplus that is taken to Unusable Reserves. Page 5 of this summary sets out the out-turn position based on the management accounts, and excluding the technical accounting entries required for the CI&ES. The management accounts show an underspend of £491k against the 2015/16 budget.

## The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2016) of the Commissioner's assets and liabilities. The balance sheet is shown on page 28 in the full statement of accounts. The table below sets out a summary balance sheet.

Summary Balance Sheet	Balance 31/03/2015 £000s	Balance 31/03/2016 £000s
Property, plant & equipment	64,329	63,854
Intangible assets	486	356
Current assets	31,556	32,250
Current Liabilities	(11,095)	(15,803)
Long Term Liabilities	(1,181,299)	(1,044,255)
<b>Net Assets</b>	<b>(1,096,023)</b>	<b>(963,598)</b>
Usable reserves	32,268	29,921
Unusable Reserves	(1,128,291)	(993,519)
<b>Total reserves</b>	<b>(1,096,023)</b>	<b>(963,598)</b>

The balance sheets shows property, plant and equipment assets, which include the Commissioner's estate, fleet of vehicles and ICT/communications equipment, with a value of £63.854m. Of this, land and buildings comprise £52.098m. During 2015/16 the value of the Commissioner's land and buildings increased by of £8.492m following the opening of the new Barrow Area HQ. The increase has been offset by a reduction of £3.950m of assets that are now classed as held for sale, reflecting the decommissioning of Ulverston Police Station and the former Barrow Police Station. The land and building estate has also experienced a £3.099m revaluation decrease following the December 2015 floods. Some of this amount reflects a temporary decrease at year end as buildings are being reinstated following flood damage. There has however been a permanent 10% decrease in the value of the Workington PFI building which in the view of the valuer reflects the perceived risk of future flooding.

Current assets are principally made up of investments (£15.030m), debtors (£11.905m) and cash (£3.303m) and have a total value of £32.250m. Investments are made in accordance with the Commissioner's treasury management strategy and support the management of reserves and cash flows. Debtors' balances are primarily made up of institutional debtors, for example central government, and prepayments. This means that the risk of not receiving the debt remains low. The Commissioner has a good collection record

in respect of debtor invoices raised for services provided. During 2015/16 11 sundry debtor invoices totaling £1,097 were authorised to be written off as not collectable. This represents an improvement in performance with 35 debtor invoices totaling £7.792k being written off during the previous financial year. The Bad Debt Provision stands at £1.258k against the future risk that not all outstanding invoices will prove to be 100% collectable. The Commissioner's debtors include a share of the debtors recorded by the 6 Cumbrian District Council's in respect of council tax. This debt amounts to £1.860m and is reduced by the Commissioner's share of their respective bad debt provisions of £0.879m. See note 11 to the statement of accounts (Page 49).

Balance sheet liabilities are amounts owed by the Commissioner. They include creditors, PFI debt, pensions and finance lease liabilities. They are split between short term (current) and long term liabilities, the current liabilities being those amounts due to be paid within 1 year. The most significant element of current liabilities are short term creditor invoices which total £12.693m. The combined short and long term liability on the PFI scheme amount to £5.122m at 31<sup>st</sup> March 2016. Long term liabilities are the most significant figure on the balance sheet, showing a balance of £1,044m (£1,181m in 2014/15). The main element of this amount is a pension's deficit of £1,039m (£1,175m in 2014/15) for the Local Government Pension Scheme (LGPS) and the Police Pension Scheme. However, this deficit will be funded over a number of years, with financial support from Central Government, meaning that the financial position of the Commissioner remains healthy.

## The Cash Flow Statement

The Cash Flow Statement shows the changes in cash held in bank accounts and changes in Money Market funds. Money Market funds are an alternative way of depositing cash to earn interest. The cash can be withdrawn from the fund without having to give notice and they are therefore referred to as cash equivalents.

The statement shows how the Commissioner generates and uses cash and cash equivalents. Cash flows are classified within the cash flow statement as arising from operating activity, investing activity and financing activity. The statement is shown on pages 29-30 of the full statement of accounts. The table below sets out a summary cash flow statement.

# PCC Chief Finance Officer Narrative Report

Summary Cash Flow Statement	Cash flows 2014/15 £000s	Cash flows 2015/16 £000s
<b>Cash &amp; Cash Equivalents 1 April</b>	<b>(11,310)</b>	<b>(6,881)</b>
Net cash flow from:		
Operating activity	(2,756)	(1,245)
Investing activity	7,096	7,725
Financing activity	89	(2,902)
<b>Cash &amp; Cash Equivalents 31 March, made up of:</b>	<b>(6,881)</b>	<b>(3,303)</b>
Bank Accounts	(2,577)	(948)
Money Market Funds	(4,304)	(2,355)

The table shows a cash inflow of £1.245m from operating activity. This is the net of our cash income including government grants, council tax and charges for services, less how much cash has been paid out, for example for salaries and goods that have been purchased. Cash flows from investing activity show an outflow of £7.725m and primarily represents the net balance of investment deposits less the amount of cash received when the investment comes to the end of its term. Investment activity provides a way to manage resources that will be used to fund future expenditure, earning interest on any balances. Investment activity also includes cash flows from the purchase and sale of capital assets (e.g. property). Cash flows arising from financing activities show a net cash inflow of £2.902m, this being amount of cash used in relation to financing and borrowing. The position in 2015/16 reflects the receipt of a £3.0m partner contribution to the financing of the Strategic Command Centre capital scheme in Penrith. The Commissioner has no borrowing other than that which relates to finance leases and the PFI agreement. £98k was paid to reduce those debts during the year.

The Commissioner's cash flow statement shows an overall balance of £3.303m, compared to £6.881m in 2014/15, reflecting the decrease in cash and cash equivalents of £3.578m and the lower cash opening balance in 2015/16. At the end of the year £2.355m of the Commissioner's cash was held in money market funds and £0.948m in banks. The continuation of high levels of net cash outflow from investment activity reflects the treasury management strategy and the increased credit risk associated with short term cash bank deposits. Investment balances at year end on the balance sheet are £2.486m higher than in

2014/15, the significant proportion of which is now invested with other local authorities.

## Police Officer Pension Fund Account

This statement sets out the transactions on the police officer pension fund account for the year. The statement records all the contributions that have been made during the year to the pension fund. These are primarily contributions from employees and the Constabulary as employer. Contribution rates are set nationally by the Home Office. There are also small amounts of other contributions. These are either transferred contributions, where members join the Constabulary and pension scheme during the year, through transfer from another police force, and transfer in their existing pension benefits. Other contributions also include additional payments made by the employer to cover the cost of ill-health retirements. The fund records the pensions (benefits) that are paid out of the fund to its members. Any difference between the contributions received into the fund and the amount being paid out is met by government grant. This means the police pension fund always balances to nil.

Summary Police Pension Fund	Pension Fund A/C 2014/15 £000s	Pension Fund A/C 2015/16 £000s
Contributions - Employer	(9,794)	(8,286)
Contributions - Officers	(5,515)	(5,305)
Contributions - Other	(444)	(454)
Benefits Payable	30,503	33,498
Other Payments	419	46
<b>Net Amount Payable</b>	<b>15,169</b>	<b>19,499</b>
Contribution from Home Office	(15,169)	(18,371)
Additional Funding Payable by the Police and Crime Commissioner (2.9%)	0	(1,128)
<b>Net Amount Payable</b>	<b>0</b>	<b>0</b>

The statement identifies contributions into the fund of £8.286m from the Constabulary (employer) and £5.305m from police officers. Employer contribution rates in 2015/16 reduced to 21.3% from 24.2% which is the main reason for the reduction in employer contributions. In total £33.498m of pensions have been paid out of the fund. The balance between contributions and those pensions' benefits of £19.499m has been funded by Home Office Grant of £18.371m and additional contributions from the



Commissioner of £1.128m. The full police officer pension fund account is shown on pages 72 to 73 of the financial statements accompanied with a page of explanatory notes.

## Supporting Information to the Financial Statements

The key financial statements are supplemented by an explanation of the accounting policies used in preparing the statements. They also contain a comprehensive set of notes that explain in more detail a number of entries in the primary financial statements. A glossary of terms provides an explanation of the various technical accounting terms and abbreviations. The statements are published alongside the Annual Governance Statement for the Police and Crime Commissioner and the Chief Constable in accordance with the 2015 Accounts and Audit (England) Regulations.

## Business Review

2015/16 has seen the culmination of a number of programmes and initiatives working with the Constabulary and wider partners to deliver the key priorities within the Police and Crime Plan. This work has included the launch of 'The Bridgeway' Sexual Assault Support Service. This service brings together a number of newly commissioned services (forensic-medical, counselling, Independent Sexual Violence Advisors (ISVA)) with referral pathways to existing services, to provide co-ordinated support for victims. Feedback from users about the crisis care and forensic-medical service has been positive and there have been cases which have not come via the police, something which was not possible before the Cumbria forensic-medical service opened. The provision of wider victim support services have undergone change with the award of a local contract for Victims Services to Victim Support, bringing the service back to being delivered in Cumbria. Victim Support will deliver emotional and practical support for victims to help them cope and recover from the effects of crime. The service operates alongside the Cumbria Together website, an information portal launched for victims and witnesses so that they can have direct access to the information that they need to support them on a 24/7 basis.

2015/16 has also seen the delivery of a number of new commissioning activities aimed at reducing offending. This has included commissioning a domestic abuse perpetrator programme for families to enable victims (adults and children) to cope and recover, and subsequently secured additional funding

from the Home Office's Police Innovation Fund to roll out the service countywide. A further £130,000 was secured from the Innovation Fund in partnership with 'Time to Change'. The charity opened a homeless hostel to support people, and in particular ex-services personnel, leasing the former police station in Egremont which has been provided for a peppercorn rent.

To support reducing the harm caused by hate crime, 'Know Your Criminal Justice Day' events have been held across Cumbria in collaboration with the Crown Prosecution Service, Cumbria Constabulary and HM Courts Service. The events aim to encourage more people to come forward and report disability hate crimes committed against them. They have been delivered alongside 'Turning the Spotlight on Hate Crime', a holistic programme aimed at supporting and changing the behaviours of perpetrators of hate crimes and incidents.

Prevention work has been a key theme for partnership activity. £2.3m Home Office Funding has been secured to resource, deliver and evaluate a multi-agency approach to mental health triage across Police, Social Care and Health partners. For young people the Tackling Child Sexual Exploitation (CSE) project aims to educate young people to the risks associated with CSE, support early identification and reduce risk and opportunities for exploitative situational grooming. The Risky Business project offers a targeted support programme that will assist in the development of resilience and coping strategies among young people, create awareness of behaviours and consequences for both the individual and others and gain an insight into the issues impacting on our young people in Cumbria. In addition to multi-agency partnership activity a number of grants have also been made available for community groups for initiatives and innovative schemes targeted at preventing and reducing the harm caused by antisocial behaviour, including alcohol-related disorder.

Our key events diary below sets out the significant activities that have shaped our work over the year, providing an overview of what we have delivered and achieved.

## Key Events

### April 2015

- 31 Independent Custody Visitors attend the ICV Annual Conference

# PCC Chief Finance Officer Narrative Report

- Campaign begins to widen the representation and remit of the Victim and Witnesses Consultation Group
- Victim Support commence delivery of local support services for victims of crime

## May 2015

- Cumbria Victims Charitable Trust is launched
- First May publication of the un-audited financial statements
- Joint Audit and Standards Committee approve 2015 Annual Report

## June 2015

- Cumbria Together Website goes live
- Positive Action Youth Engagement partnership project launched
- Disability Hate Crime 'Know your Criminal Justice Day' Workington

## July 2015

- A new network of 53 CCTV cameras is switched on across the county
- Home Office Grant Agreements signed securing over £1m in Innovation Funding for a Cumbria Strategic Co-ordination Centre and 'Turning the Spotlight' Perpetrator Programmes
- Cumbria Restorative Justice Hub launched delivering victim led restorative services
- Funding approved to support Carlisle City Council's Homelife team to standardise the provision of target hardening services across Cumbria for victims of crime
- Minister for Policing announces consultation on police funding reform

## September 2015

- 'Dignity in Dementia' launched to support families in keeping vulnerable people safe
- 'Step Up' services begin delivering group interventions for youth violence against family members
- Publication of the independent auditor's unqualified report on the 2014/15 financial statements

## October 2015

- Funding is approved for the further roll out of 'Chelsea's Choice' to raise awareness of child sexual exploitation
- Calderwood House Hostel Opens in the former Egremont Police Station
- The new Barrow Police Station becomes the

operational policing base and front counter service for Barrow and the surrounding area.

## November 2015

- Funding approved for Cumbria Crimestoppers supporting activity to highlight crime and crime prevention;
- 'Disability Hate Crime 'Know your Criminal Justice day' Barrow;
- Launch of Tackling CSE in Cumbria project that will focus on young people who are being, or at risk of being sexually exploited
- Launch of 'Risky Business' targeted support for young people
- The Chancellor publishes a joint Spending Review and Autumn Statement 2015

## December 2015

- 'The Bridgeway' Sexual Assault Support Service is launched introducing forensic medical services to Cumbria

## January 2016

- The Police and Crime Panel supports the Commissioner's proposed precept without qualification or comment

## February 2016

- The Commissioner sets the 2016/17 revenue and capital budgets, providing £111.244m funding to the Chief Constable for Policing in Cumbria
- Services are commissioned to develop and perform school based education and learning programmes to tackle hate crime
- Funding approved to enable Brake to continue to provide specialist support for bereaved and seriously injured road crime victims
- Approval to commission a sequel to the 'Leaving' DVD that focuses on domestic abuse issues in relationships between young people

## March 2016

- 2.3m Home Office Innovation Funding secured for multi-agency mental health hub
- Vulnerable Localities Index multi-agency programme begins delivering priority community safety interventions to residential neighbourhoods
- Youth domestic abuse prevention programme extended to West Cumbria
- Funding approved to deliver an increased



awareness of sexual abuse amongst members of the LGBT community to support reporting of incidents to police

- Awarded funding to Carlisle MENCAP to develop a series of educational short films focusing on sexual exploitation and abuse aimed at increasing awareness for people with learning difficulties
- Funding approved to Brathay Trust that will see the development and delivery of a Youth Engagement Scheme building on positive relationships between police and young people
- Purdah period commences for Police and Crime Commissioner Elections

## April 2016

- Mutual Aid Facilitation programme launched to support ex-offenders and veterans to take control of their recovery from substance misuse
- Launch of the pre-tenancy and homeless project aimed at reducing homelessness in young people in Cumbria.
- Funding approved to support the three area Community Safety Partnerships to deliver a number of initiatives to support the Police and Crime Plan objectives.

## May 2016

- Launch of the 2015/16 Annual Report and final media conference for the out-going Police and Crime Commissioner, Mr Richard Rhodes
- Election of the Police and Crime Commissioner for Cumbria, Mr Peter McCall

## Performance Report

We measure our performance across a number of key themes reflecting the priorities in the Police and Crime Plan. These are Effective Policing, Community Safety, Criminal Justice, Customer/Victim Satisfaction and Finance & Value for Money.

### Effective Policing

- Her Majesty's Inspectorate of Constabulary (HMIC) Police Effectiveness Efficiency and Legitimacy (PEEL) Inspections: The PEEL Inspections judge the efficiency, effectiveness and legitimacy of the Constabulary in keeping people safe and reducing crime. For 2015 HMIC determined that the overall judgement for Cumbria Constabulary was 'good' in respect of legitimacy and efficiency but 'requires

improvement' in respect of effectiveness. The Chief Constable will report to the Police and Crime Commissioner on how the Constabulary will tackle those areas requiring improvement and respond to HMIC recommendations.

- For 2015/16 crime increased by 5%, which equates to a rise of 1,243 crimes over the 12 month period to 31st March 2016. This position reflects national trends and Cumbria continues to maintain the second lowest level of reported crime in the whole country, despite the 5% increase.
- Violence against the person offences is an area where there is room for improvement, offences continued to see significant increases, up 13% over this time last year; all police forces in England and Wales have seen an increase, and this is partly attributed to improved compliance with crime recording standards. Cumbria is 5th lowest nationally for volume of crimes.

### Community Safety

- Antisocial behaviour has continued to fall, and has seen a 31% reduction compared to the same period last year; this includes a 10% reduction in youth anti-social behaviour. Nationally Cumbria has the 5th lowest number of incidents.
- A lot of work has been done in the county with the Constabulary and partners to encourage reporting of hate crime. Cumbria has seen a 12% increase in reported hate crimes during 2015/16 although Cumbria remains one of the lowest forces for hate crimes both nationally and in the North West region.
- Work has also targeted increased reporting for sexual and domestic violence. Actual reported crimes for domestic abuse have gone up by +3% and +21% for sexual offences during the year. The effectiveness of support arrangements are measured by the reduction in repeat victims of domestic abuse. Year-end figures show a small decrease of 3% compared to 2014/15.

### Criminal Justice

- All recorded offences are assigned an outcome based on a national framework for crime. Crime outcomes are classed as positive where the offender is either charged or summonsed, receives an out of court disposal or where the Crown Prosecution Service (CPS) or police determine it is not in the public interest to prosecute. In all cases the crime outcome represents positive police activity in detecting the

crime. Positive crime outcome performance is 31% for 2015/16, a 6% reduction compared to 37% in 2014/15.

- Cumbria performs well against national averages for crime outcomes. The most up to date published figures for England and Wales record crime outcomes for 12 months to September 15 and show national average performance at 24.1%.
- Cumbria conviction rates for Magistrates Court for the quarter to December 2015 equated to 90.5%, nationally this figure is 84.5%. Cumbria is ranked 3<sup>rd</sup> out of the 42 forces. Crown Court convictions for the same period equate to 88.4%, compared to 79.6% nationally. Cumbria is ranked 1<sup>st</sup> out of 42 forces.

## Customer and Victim Satisfaction

- Performance in customer and victim satisfaction is measured through regular independent surveys following police contact. This is supplemented by the process for police complaints that includes independent sampling of complaint files and scrutiny of local to national comparatives against complaints upheld.
- The latest satisfaction figures show that each aspect of service delivery ('making contact', 'action taken', treatment by staff' and overall experience') remain within the expected range of performance. Satisfaction for 'treatment by staff' is performing better than expected, at 97.2%
- When allegations are made against the police, those resolved locally perform well against national comparative timescales, taking an average of 36 days, achieving a ranking of 3<sup>rd</sup> nationally.
- In a small number of cases an appeal has been made to the IPCC. Of these 25% have been upheld (3 out of 12). This compares to 29% (7 out of 24) for 2014/15, demonstrating improvements in the number of cases resolved locally and the number and proportion of cases where the IPCC has supported the local findings.

## Finance & Value for Money

- We measure our performance against targets for achieving financial outturn within a percentage of the net budget. For 2015/16 this was set at 2% for the revenue budget and 10% for the capital budget.
- Actual performance for revenue was 0.5%, achieving well within the target.
- Capital outturn was 23% below budget, falling significantly outside target. Whilst this was a

disappointing result, it does represent a performance improvement on the 2014/15 financial year that experienced a 27% variation to budget. The year-end position was expected and was impacted by business decisions beyond the control of the departments delivering the capital programme. Stretch targets will continue to be set for capital expenditure going forward as a recognised area for performance improvement.

- Value for Money performance measures economy, efficiency and effectiveness of our use of resources. 2015/16 HMIC most similar force (MSG) comparators show that the budget for the Office of the Police and Crime Commissioner achieved lowest total cost for the group when comparing Police Objective Analysis data for 2015/16.
- Costs are significantly higher (28%) than the group average on a per head of population basis. Population in Cumbria is 29% lower than the average for the group supporting findings that the variation is a result of the difference in population rather than actual cost.
- Her Majesty's Inspectorate of Constabulary (HMIC) 2015 PEEL inspection assessed the Constabulary as good in respect of efficiency.
- Outcomes against wider performance measures that indicate the effectiveness of activity and interventions are strong against the priority areas of keeping crime at low levels, reducing anti-social behaviour, bringing criminals to justice and increasing reporting of hate crime and domestic and sexual abuse.
- Collectively these indicators provide assurance of Value for Money in respect of the 2015/16 financial year.

## The Future Outlook

On May 12<sup>th</sup> 2016 Mr Peter McCall commenced office as the new Police and Crime Commissioner for Cumbria and will as a priority approve a new Police and Crime Plan. The Plan will set the strategic direction for policing and wider aims for enhancing community safety, criminal justice and supporting victims.

The Commissioner inherits a strong overall financial position as at 31<sup>st</sup> March 2016. The Medium Term Financial Strategy sets out plans for efficiency savings, a balanced 10 year capital programme and resources to deliver the 2016-2020 Police and Crime Plan. The current financial position has primarily arisen as a result of positive action on behalf of the Constabulary

# PCC Chief Finance Officer Narrative Report

to reduce costs in the context of reductions in government funding. This has enabled reserves to be maintained at a level that provides financial resilience and supports continued investment.

The Medium Term Financial Strategy and 2016/17 budget was approved in the context of the 2015 CSR that sets out the Government's medium term plans for public spending. Those plans protect police spending in real terms and provide for continuity in the levels of real cash funding to police forces, when taking into account the capacity to raise Council Tax. Flexibility to raise the precept by up to 2% will continue for the full CSR period. On this basis, the 2016/17 budget resources an establishment of 1123 Police Officers supported by 95 Police and Community Support Officers and 571 Police Staff. The budget delivers £111.244m funding for the Chief Constable to deliver policing for Cumbria. The longer term 10 year capital programme commits to £62.5m investment across the estate, fleet and ICT.

Whilst the position is financially resilient in the short term the future outlook is highly uncertain. In 2016/17 38% (£36.1m) of income to meet the budget requirement is derived locally from taxation. The balance of 62% (£59.5m) comes from central government police formula grant. Announcements expected during 2016 will set out the future formula funding arrangements for policing bodies and the planned timing for implementation and transition for areas experiencing stepped funding changes. The risk of change to funding arrangements and the impact on service delivery is significant. As at 31<sup>st</sup> March 2016 this issue is the only risk recorded within the Commissioner's strategic risk register. Current forecasts estimate that between £9.9m and £15.8m

could be lost, dependent on the indicators used to distribute funding. Conversely, if the outcome of formula funding changes is to maintain the formula grant at or around the current level of funding, the medium term forecast to 2020 is balanced. Our most significant costs within the budget is police officer and police staff pay and on-costs. Any significant reduction in funding will have a similarly significant impact on the number of police officers and police staff and the wider commissioning of services. This means our future formula funding outlook is the single most significant risk factor going forward that will impact on delivery of the Police and Crime Plan and the new strategy for Policing.

## Acknowledgements

The financial statements were originally authorised for issue by me as PCC Chief Finance Officer on 23 May 2016. Following completion of the audit, they were re-authorised by me on 28 July 2016 and were formally approved by the Police and Crime Commissioner on 28 July 2016.

In closing, it is appropriate to acknowledge the dedication and professionalism of Roger Marshall, the Chief Constable's Chief Finance Officer, Michelle Bellis, Lorraine Holme and the wider finance team in again achieving the closure of accounts and the publication of these Statements against challenging deadlines and complex financial reporting standards.

Ruth Hunter

PCC Chief Finance Officer

The accounts present a true and fair view of the position of the Police and Crime Commissioner's Group Accounts as at 31 March 2016 and its income and expenditure for the year there ended.

Signature removed for publication on website

Ruth Hunter CPFA

PCC Chief Finance Officer

Date : 28 July 2016

Signature removed for publication on website

Peter McCall

The Police and Crime Commissioner for Cumbria

Date : 28 July 2016

## 1 The Commissioner's Responsibilities

The Police and Crime Commissioner (The Commissioner/PCC) is the recipient of funding relating to policing and crime reduction and has statutory responsibility for the Police Fund. The Commissioner is required to:

- make arrangements for the proper administration of his financial affairs and to secure that one of his officers has the responsibility for the administration of those affairs. In this organisation, that officer is the PCC Chief Finance Officer (CFO).
- manage his affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts including annexes to the Statement of Accounts.

## 2 The PCC Chief Finance Officer's Responsibilities

The PCC CFO is responsible for the production of the Statement of Accounts of the Commissioner, ensuring the receipt and scrutiny of the Statement of Accounts of the Chief Constable and for ensuring the production of group accounts. The PCC CFO is responsible for the preparation of the Commissioner's Statement of Accounts and the group accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Account, the PCC CFO has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- complied with the local authority code.

The PCC CFO has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The PCC CFO should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2016.

## 3 The Chief Constable's Responsibilities

The Chief Constable (the CC) is accountable to the Police and Crime Commissioner for the management of resources and expenditure by the police force. All funding for the Chief Constable comes from the Police and Crime Commissioner. The Chief Constable is required to:

- make arrangements for the proper administration of his financial affairs and to secure that one of his officers has the responsibility for the administration of those affairs. In this organisation, that officer is the Chief Constable's Chief Finance Officer (CFO).
- manage his affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts including annexes to the Statement of Accounts.

## 4 The Chief Constable's Chief Finance Officer's Responsibilities

The Chief Constable's CFO is responsible for the production of the Statement of Accounts for the Chief Constable and for providing information to the PCC CFO as required for the production of group accounts. The Chief Constable's CFO is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Chief Constable's Statement of Account, the Chief Constable's CFO has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- complied with the local authority code.

The Chief Constable's CFO has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Constable's CFO should sign and date the Chief Constable's Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2016.



## **INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR CUMBRIA**

We have audited the financial statements of the Police and Crime Commissioner for Cumbria (the "Police and Crime Commissioner") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Police and Crime Commissioner Movement in Reserves Statements, the Group and Police and Crime Commissioner Comprehensive Income and Expenditure Statements, the Group and Police and Crime Commissioner Balance Sheet, the Group and Police and Crime Commissioner Cash Flow Statement, the related notes and Annexes A and B and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the PCC Chief Finance Officer and auditor**

As explained more fully in the Statement of the PCC Chief Finance Officer's Responsibilities, the PCC Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



# Independent Auditor's Report

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial 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 Police and Crime Commissioner and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the PCC Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the PCC Chief Finance Officer Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Police and Crime Commissioner and Group as at 31 March 2016 and of the Police and Crime Commissioner's and Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

## Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the PCC Chief Finance Officer Narrative Report and the Annual Governance Statement is consistent with the Group audited financial statements.

## Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

# Independent Auditor's Report

- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## **Conclusion on the Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Police and Crime Commissioner and auditor**

The Police and Crime Commissioner 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.

We are required under Section 20(1)(c) of the Act to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of the Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Police and Crime Commissioner has

# Independent Auditor's Report

put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

## Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Police and Crime Commissioner has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

## Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner in accordance with the requirements of the Act and the Code.

**Fiona Blatcher**

Fiona Blatcher

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP

4 Hardman Square

Spinningfields

Manchester

M3 3EB

28 July 2016

The Statement of Accounts includes four primary or core financial statements:

- **Movement in Reserves Statement** - This statement shows the movement in the year on the different reserves held by the Commissioner, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce taxation) and other 'Unusable Reserves'. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Commissioner's services, 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 Police Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Police Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Commissioner.

*Due to the size of the statements, the positions for the Group and the PCC are shown in separate tables, the figures for 2015/16 and the comparators for 2014/15 are also shown in separate tables.*

- **Comprehensive Income and Expenditure Statement** - This statement summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The expenditure in the 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. Authorities raise 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.

## Comprehensive Income and Expenditure Statement Categories

The Code requires the Commissioner's financial statements to show the Comprehensive Income and Expenditure Statement in a form as recommended by CIPFA Service Reporting Code of Practice (SERCOP). This is designed both to provide more meaningful information about how resources are utilised and also to allow more meaningful comparison amongst policing organisations. SERCOP has reaffirmed the concept of Total Cost, which requires consistent appropriation of support costs and overheads to defined areas of front line policing activity. This is also consistent with the Police Objective Analysis (POA) that was introduced by the Home Office and is used as a basis for reporting service expenditure. The defined areas, together with some explanations as to their content, are set out below:

**Police Services**, this includes the following activities:

- Local Policing – neighbourhood policing, incident management, community liaison, local command team and support overheads.
- Dealing with the Public – local call centre/front desk, central communications unit, contact management and dealing with the public command team and support overheads.
- Criminal Justice Arrangements – custody, criminal justice arrangements, Police National Computer, civil disclosure/criminal records bureau, coroner assistance, fixed penalty scheme/central ticket office, property store, criminal justice arrangements command team and support overheads.
- Roads Policing – traffic units, vehicle recovery, casualty reduction partnership, roads policing command team and support overheads.
- Specialist Operations – central operations command team and support overheads, underwater search/marine support, dogs sections, level 1 advanced public order, firearms unit, civil contingencies, air operations and airports and ports policing unit.
- Intelligence – central intelligence command team and support overheads, intelligence analysis/threat assessments, intelligence gathering.

- Investigation – crime support command team and support overheads, major investigations unit, economic crime, serious and organised crime unit, public protection, local investigation/prisoner processing, specialist investigation and cyber crime.
- Investigative Support – scenes of crime officers, external forensic costs, fingerprint/internal forensic services, photographic image recovery, other forensic services, investigative support command team and support overheads.
- National Policing – secondments (out of force), counter terrorism/special branch, ACPO projects/initiatives, hosting national services, other national policing requirements.

## Corporate and Democratic Core Costs:

- Democratic Representation and Management – all member allowances and expenses; officer time spent on appropriate advice activities; subscriptions to local authority associations etc.
- Corporate Management – costs of head of paid service; maintenance of statutory registers; statutory returns and statistics; external audit and inspections; treasury management; bank charges.

## Non Distributed Costs:

- Pension costs – past service costs, curtailments and settlements.
- Depreciation costs and impairment losses in relation to assets under construction and surplus assets held for disposal.

*Due to the size of the statements, the positions for the Group and the PCC are shown in separate tables.*

- **Balance Sheet** – This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Commissioner. The net assets (assets less liabilities) are matched by the reserves held by the Commissioner. Reserves are reported in two categories.

The first category of reserves are **usable reserves**, i.e. those reserves that the Commissioner 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 are **unusable reserves** and relate to those that the Commissioner 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'.

*The balance sheet for the Group and PCC are shown side by side and include both 2015/16 figures and 2014/15 comparators.*

- **Cash Flow Statement** - This statement shows the changes in cash and cash equivalents of the Commissioner during the reporting period. The statement shows how the Commissioner 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 Commissioner are funded by way of taxation and grant income or from the recipients of services. Investing activities represent the extent to which cash outflows have been generated from resources which are intended to contribute to the Commissioner'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).

*The cash flow statement for the Group and PCC are shown side by side and include both 2015/16 figures and 2014/15 comparators.*

# Movement in Reserves Statement – Group

The figures for the group in 2015/16 are provided in the table below:

<b>Movement in Reserves Statement (Group)</b> <b>Figures for 2015/16</b>										
	Note	Balance at 1 April 2015	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2015/16	Balance at 31 March 2016
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Usable Reserves</b>										
Police Fund Account	-	5,149	(36,647)	0	(36,647)	33,034	(3,613)	1,464	(2,149)	3,000
Earmarked Revenue Reserves	5	13,844	0	0	0	0	0	(10,651)	(10,651)	3,193
Earmarked Capital Reserves	5	8,543	0	0	0	0	0	9,187	9,187	17,730
Capital Receipts Reserve	16	0	0	0	0	556	556	0	556	556
Capital Grants Unapplied	16	4,732	0	0	0	710	710	0	710	5,442
<b>Total Usable Reserves</b>		<b>32,268</b>	<b>(36,647)</b>	<b>0</b>	<b>(36,647)</b>	<b>34,300</b>	<b>(2,347)</b>	<b>0</b>	<b>(2,347)</b>	<b>29,921</b>
<b>Unusable Reserves</b>										
Revaluation Reserve	17a	9,315	0	(913)	(913)	(95)	(1,008)	0	(1,008)	8,307
Capital Adjustment Account	17b	39,259	0	0	0	(286)	(286)	0	(286)	38,973
Police Pensions Reserve	17e	(1,142,570)	0	161,090	161,090	(30,980)	130,110	0	130,110	(1,012,460)
LGPS Pensions Reserve	17e	(32,177)	0	8,895	8,895	(2,941)	5,954	0	5,954	(26,223)
Collection Fund Adjustment Account	17c	583	0	0	0	156	156	0	156	739
Accumulated Absences Account	17d	(2,701)	0	0	0	(154)	(154)	0	(154)	(2,855)
<b>Total Unusable Reserves</b>		<b>(1,128,291)</b>	<b>0</b>	<b>169,072</b>	<b>169,072</b>	<b>(34,300)</b>	<b>134,772</b>	<b>0</b>	<b>134,772</b>	<b>(993,519)</b>
<b>Total Reserves</b>		<b>(1,096,023)</b>	<b>(36,647)</b>	<b>169,072</b>	<b>132,425</b>	<b>0</b>	<b>132,425</b>	<b>0</b>	<b>132,425</b>	<b>(963,598)</b>

The comparative figures for 2014/15 are provided in the table below:

<b>Movement in Reserves Statement (Group)</b> <b>Figures for 2014/15</b>										
	Note	Balance at 1 April 2014	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2014/15	Balance at 31 March 2015
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Usable Reserves</b>										
Police Fund Account	-	5,149	(37,623)	0	(37,623)	32,345	(5,278)	5,278	0	5,149
Earmarked Revenue Reserves	5	16,795	0	0	0	0	0	(2,951)	(2,951)	13,844
Earmarked Capital Reserves	5	10,870	0	0	0	0	0	(2,327)	(2,327)	8,543
Capital Receipts Reserve	16	1,043	0	0	0	(1,043)	(1,043)	0	(1,043)	0
Capital Grants Unapplied	16	3,866	0	0	0	866	866	0	866	4,732
<b>Total Usable Reserves</b>		<b>37,723</b>	<b>(37,623)</b>	<b>0</b>	<b>(37,623)</b>	<b>32,168</b>	<b>(5,455)</b>	<b>0</b>	<b>(5,455)</b>	<b>32,268</b>
<b>Unusable Reserves</b>										
Revaluation Reserve	17a	8,980	0	335	335	0	335	0	335	9,315
Capital Adjustment Account	17b	35,155	0	0	0	4,104	4,104	0	4,104	39,259
Police Pensions Reserve	17e	(999,400)	0	(105,250)	(105,250)	(37,920)	(143,170)	0	(143,170)	(1,142,570)
LGPS Pensions Reserve	17e	(17,339)	0	(15,615)	(15,615)	777	(14,838)	0	(14,838)	(32,177)
Collection Fund Adjustment Account	17c	373	0	0	0	210	210	0	210	583
Accumulated Absences Account	17d	(3,362)	0	0	0	661	661	0	661	(2,701)
<b>Total Unusable Reserves</b>		<b>(975,593)</b>	<b>0</b>	<b>(120,530)</b>	<b>(120,530)</b>	<b>(32,168)</b>	<b>(152,698)</b>	<b>0</b>	<b>(152,698)</b>	<b>(1,128,291)</b>
<b>Total Reserves</b>		<b>(937,870)</b>	<b>(37,623)</b>	<b>(120,530)</b>	<b>(158,153)</b>	<b>0</b>	<b>(158,153)</b>	<b>0</b>	<b>(158,153)</b>	<b>(1,096,023)</b>



# Movement in Reserves Statement – PCC

The figures for the PCC Single Entity in 2015/16 are provided in the table below:

<b>Movement in reserves Statement (PCC) Figures for 2015/16</b>										
	Note	Balance at 1 April 2015	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2015/16	Balance at 31 March 2016
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Usable Reserves</b>										
Police Fund Account	-	5,149	(2,642)	0	(2,642)	(971)	(3,613)	1,464	(2,149)	3,000
Earmarked Revenue Reserves	5	13,844	0	0	0	0	0	(10,651)	(10,651)	3,193
Earmarked Capital Reserves	5	8,543	0	0	0	0	0	9,187	9,187	17,730
Capital Receipts Reserve	16	0	0	0	0	556	556	0	556	556
Capital Grants Unapplied	16	4,732	0	0	0	710	710	0	710	5,442
<b>Total Usable Reserves</b>		<b>32,268</b>	<b>(2,642)</b>	<b>0</b>	<b>(2,642)</b>	<b>295</b>	<b>(2,347)</b>	<b>0</b>	<b>(2,347)</b>	<b>29,921</b>
<b>Unusable Reserves</b>										
Revaluation Reserve	17a	9,315	0	(913)	(913)	(95)	(1,008)	0	(1,008)	8,307
Capital Adjustment Account	17b	39,259	0	0	0	(286)	(286)	0	(286)	38,973
LGPS Pensions Reserve	17e	(796)	0	189	189	(80)	109	0	109	(687)
Collection Fund Adjustment Account	17c	583	0	0	0	156	156	0	156	739
Accumulated Absences Account	17d	(17)	0	0	0	10	10	0	10	(7)
<b>Total Unusable Reserves</b>		<b>48,344</b>	<b>0</b>	<b>(724)</b>	<b>(724)</b>	<b>(295)</b>	<b>(1,019)</b>	<b>0</b>	<b>(1,019)</b>	<b>47,325</b>
<b>Total Reserves</b>		<b>80,612</b>	<b>(2,642)</b>	<b>(724)</b>	<b>(3,366)</b>	<b>0</b>	<b>(3,366)</b>	<b>0</b>	<b>(3,366)</b>	<b>77,246</b>

The comparative figures for 2014/15 are provided in the table below:

Movement in Reserves Statement (PCC) Figures for 2014/15											
	Note	Balance at 1 April 2014	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Adjustment to opening balance (between PCC and CC accounts) #	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2014/15	Balance at 31 March 2015
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Usable Reserves</b>											
Police Fund Account	-	5,149	(1,100)	0	(1,100)	(4,178)	0	(5,278)	5,278	0	5,149
Earmarked Revenue Reserves	5	16,795	0	0	0	0	0	0	(2,951)	(2,951)	13,844
Earmarked Capital Reserves	5	10,870	0	0	0	0	0	0	(2,327)	(2,327)	8,543
Capital Receipts Reserve	16	1,043	0	0	0	(1,043)	0	(1,043)	0	(1,043)	0
Capital Grants Unapplied	16	3,866	0	0	0	866	0	866	0	866	4,732
<b>Total Usable Reserves</b>		<b>37,723</b>	<b>(1,100)</b>	<b>0</b>	<b>(1,100)</b>	<b>(4,355)</b>	<b>0</b>	<b>(5,455)</b>	<b>0</b>	<b>(5,455)</b>	<b>32,268</b>
<b>Unusable Reserves</b>											
Revaluation Reserve	17a	8,980	0	335	335	0	0	335	0	335	9,315
Capital Adjustment Account	17b	35,155	0	0	0	4,104	0	4,104	0	4,104	39,259
LGPS Pensions Reserve	17e	(563)	0	(326)	(326)	32	61	(233)	0	(233)	(796)
Collection Fund Adjustment Account	17c	373	0	0	0	210	0	210	0	210	583
Accumulated Absences Account	17d	(26)	0	0	0	9	0	9	0	9	(17)
<b>Total Unusable Reserves</b>		<b>43,919</b>	<b>0</b>	<b>9</b>	<b>9</b>	<b>4,355</b>	<b>61</b>	<b>4,425</b>	<b>0</b>	<b>4,425</b>	<b>48,344</b>
<b>Total Reserves</b>		<b>81,642</b>	<b>(1,100)</b>	<b>9</b>	<b>(1,091)</b>	<b>0</b>	<b>61</b>	<b>(1,030)</b>	<b>0</b>	<b>(1,030)</b>	<b>80,612</b>

# In 2014/15 the above table shows an adjustment to the Local Government Pension Scheme (LGPS) between the PCC and CC accounts of £61k. In 2013/14 an estimation was made of the split of the LGPS between the Commissioner (PCC) and the Constabulary (CC). From 1 April 2014 and stage 2 of the transition process being completed the pension scheme has been split into two separate employers. The adjustment to the opening balance of £61k was required to the single entity statements of the PCC and CC to reconcile to the actuarial calculations provided for 2014/15.

# Comprehensive Income and Expenditure Statement - Group

Comprehensive Income and Expenditure Statement (Group)			Group 2014/15 Gross Expenditure £000s	Group 2014/15 Gross Income £000s	Group 2014/15 Net Expenditure £000s	Group 2015/16 Gross Expenditure £000s	Group 2015/16 Gross Income £000s	Group 2015/16 Net Expenditure £000s
	Notes							
Local Policing	*		49,138	(1,869)	47,269	47,714	(1,856)	45,858
Dealing with the public	*		7,168	(23)	7,145	8,796	(27)	8,769
Criminal justice arrangements	*		9,262	(380)	8,882	9,871	(443)	9,428
Road policing	*		7,387	(988)	6,399	6,289	(1,433)	4,856
Specialist operations	*		3,395	(617)	2,778	4,195	(314)	3,881
Intelligence	*		5,563	(94)	5,469	5,904	(81)	5,823
Investigation	*		13,383	(294)	13,089	14,573	(857)	13,716
Investigative support	*		3,328	(73)	3,255	3,387	(86)	3,301
National policing	*		1,849	(1,340)	509	1,714	(1,319)	395
Corporate and democratic core	*		1,096	(1)	1,095	1,180	0	1,180
Non distributed costs	*		47	0	47	588	0	588
Termination Payments	23		675	0	675	1,641	0	1,641
<b>Cost Of Services</b>			<b>102,291</b>	<b>(5,679)</b>	<b>96,612</b>	<b>105,852</b>	<b>(6,416)</b>	<b>99,436</b>
<b>Other Operating Expenditure</b>								
(Gain)/loss on disposal of non current assets	6e		0	(106)	(106)	0	(47)	(47)
Transfer to Pension Fund/Pension Top Up Grant			15,169	(15,169)	0	18,371	(18,371)	0
			<b>15,169</b>	<b>(15,275)</b>	<b>(106)</b>	<b>18,371</b>	<b>(18,418)</b>	<b>(47)</b>
<b>Financing and Investment Income and Expenditure</b>								
Interest element of finance leases (lessee)			1	0	1	0	0	0
Interest payable on PFI unitary payments			658	0	658	646	0	646
Net Interest on the net defined benefit liability (asset)	Annex B (Pg 101)		48,665	(4,191)	44,474	42,245	(3,615)	38,630
Investment property rental income			0	(12)	(12)	0	(12)	(12)
Investment interest income			0	(155)	(155)	0	(124)	(124)
			<b>49,324</b>	<b>(4,358)</b>	<b>44,966</b>	<b>42,891</b>	<b>(3,751)</b>	<b>39,140</b>
<b>Taxation and Non-Specific Grant Income</b>								
Recognised capital grants and contributions	25		0	(1,387)	(1,387)	0	(1,316)	(1,316)
Income from Council Tax	27		0	(33,815)	(33,815)	0	(35,143)	(35,143)
Council Tax Grant (Freeze & Support)	25		0	(4,850)	(4,850)	0	(4,850)	(4,850)
Formula Funding	25		0	(32,340)	(32,340)	0	(30,999)	(30,999)
Home Office Police Grant	25		0	(30,769)	(30,769)	0	(28,886)	(28,886)
PFI Grant	25		0	(688)	(688)	0	(688)	(688)
			<b>0</b>	<b>(103,849)</b>	<b>(103,849)</b>	<b>0</b>	<b>(101,882)</b>	<b>(101,882)</b>
<b>(Surplus) or Deficit on Provision of Services</b>			<b>166,784</b>	<b>(129,161)</b>	<b>37,623</b>	<b>167,114</b>	<b>(130,467)</b>	<b>36,647</b>
<b>Surplus or Deficit on revaluation of Property, Plant and Equipment Assets</b>								
Revaluation gains	6				(335)			(148)
Revaluation losses (chargeable to revaluation reserve)	6				0			522
Impairment losses (chargeable to revaluation reserve)	6				0			539
<b>Actuarial (gains) / losses on pension assets / liabilities</b>								
- Matching the entry to the pensions reserve	Annex B (Pg 101)				120,865			(169,985)
<b>Other Comprehensive Income and Expenditure</b>					<b>120,530</b>			<b>(169,072)</b>
<b>Total Comprehensive Income and Expenditure</b>					<b>158,153</b>			<b>(132,425)</b>

\* A description of the items included within each of the service headings at the top of the comprehensive income and expenditure statement is provided on pages 22-23.

# Comprehensive Income and Expenditure Statement - PCC

Comprehensive Income and Expenditure Statement (PCC)		PCC 2014/15 Gross Expenditure £000s	PCC 2014/15 Gross Income £000s	PCC 2014/15 Net Expenditure £000s	PCC 2015/16 Gross Expenditure £000s	PCC 2015/16 Gross Income £000s	PCC 2015/16 Net Expenditure £000s
	Notes						
Local Policing	*	5,245	(4,566)	679	6,224	(4,154)	2,070
Dealing with the public	*	765	(57)	708	1,148	(60)	1,088
Criminal justice arrangements	*	989	(932)	57	1,288	(992)	296
Road policing	*	789	(2,413)	(1,624)	821	(3,207)	(2,386)
Specialist operations	*	362	(1,508)	(1,146)	547	(702)	(155)
Intelligence	*	594	(229)	365	770	(180)	590
Investigations	*	1,429	(718)	711	1,901	(1,918)	(17)
Investigative support	*	355	(178)	177	442	(191)	251
National policing	*	197	(3,274)	(3,077)	224	(2,951)	(2,727)
Corporate and democratic core	*	784	(1)	783	917	0	917
Funding Provided by PCC to CC		106,912	0	106,912	104,109	0	104,109
<b>Cost Of Services</b>		<b>118,421</b>	<b>(13,876)</b>	<b>104,545</b>	<b>118,391</b>	<b>(14,355)</b>	<b>104,036</b>
<b>Other Operating Expenditure</b>							
(Gain)/loss on disposal of non current assets	6e	0	(106)	(106)	0	(47)	(47)
Transfer to Pension Fund/Pension Top Up Grant		15,169	(15,169)	0	18,371	(18,371)	0
		<b>15,169</b>	<b>(15,275)</b>	<b>(106)</b>	<b>18,371</b>	<b>(18,418)</b>	<b>(47)</b>
<b>Financing and Investment Income and Expenditure</b>							
Interest element of finance leases (lessee)		1	0	1	0	0	0
Interest payable on PFI unitary payments		658	0	658	646	0	646
Net Interest on the net defined benefit liability (asset)	Annex B (Pg 102)	116	(98)	18	108	(83)	25
Investment property rental income		0	(12)	(12)	0	(12)	(12)
Investment interest income		0	(155)	(155)	0	(124)	(124)
		<b>775</b>	<b>(265)</b>	<b>510</b>	<b>754</b>	<b>(219)</b>	<b>535</b>
<b>Taxation and Non-Specific Grant Income</b>							
Recognised capital grants and contributions	25	0	(1,387)	(1,387)	0	(1,316)	(1,316)
Income from Council Tax	27	0	(33,815)	(33,815)	0	(35,143)	(35,143)
Council Tax Grant (Freeze & Support)	25	0	(4,850)	(4,850)	0	(4,850)	(4,850)
Formula Funding	25	0	(32,340)	(32,340)	0	(30,999)	(30,999)
Home Office Police Grant	25	0	(30,769)	(30,769)	0	(28,886)	(28,886)
PFI Grant	25	0	(688)	(688)	0	(688)	(688)
		<b>0</b>	<b>(103,849)</b>	<b>(103,849)</b>	<b>0</b>	<b>(101,882)</b>	<b>(101,882)</b>
<b>(Surplus) or Deficit on Provision of Services</b>		<b>134,365</b>	<b>(133,265)</b>	<b>1,100</b>	<b>137,516</b>	<b>(134,874)</b>	<b>2,642</b>
<b>Surplus or Deficit on revaluation of Property, Plant and Equipment Assets</b>							
Revaluation gains	6			(335)			(148)
Revaluation losses (chargeable to revaluation reserve)	6			0			522
Impairment losses (chargeable to revaluation reserve)	6			0			539
<b>Actuarial (gains) / losses on pension assets / liabilities</b>							
- Matching the entry to the pensions reserve	Annex B (Pg 102)			326			(189)
<b>Other Comprehensive Income and Expenditure</b>				<b>(9)</b>			<b>724</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>1,091</b>			<b>3,366</b>

\* A description of the items included within each of the service headings at the top of the comprehensive income and expenditure statement is provided on pages 22-23.

# Balance Sheet – PCC & Group

Balance Sheet		PCC	PCC	Group	Group
	Notes	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s
<b>Property, Plant &amp; Equipment</b>	6				
Land and Buildings	6	49,936	52,098	49,936	52,098
Vehicles	6	3,224	2,888	3,224	2,888
Information Technology Equipment	6	5,301	6,867	5,301	6,867
Furniture, Equipment & Plant	6	1,195	1,702	1,195	1,702
Assets Under Construction (Land & Buildings)	6	4,573	199	4,573	199
Investment Properties		100	100	100	100
		<b>64,329</b>	<b>63,854</b>	<b>64,329</b>	<b>63,854</b>
Intangible Assets - Software	8	486	356	486	356
<b>Long Term Assets</b>		<b>64,815</b>	<b>64,210</b>	<b>64,815</b>	<b>64,210</b>
Short Term Investments	14	12,544	15,030	12,544	15,030
Assets held for sale (within 1yr)	7	796	1,744	796	1,744
Inventories		0	0	295	268
Short Term Debtors (external)	11	11,040	11,905	11,040	11,905
Short Term Debtors (amounts owed to PCC by CC re CC share of external Creditors)	11	8,451	8,577	0	0
Short Term Debtors (funding balance owed to PCC by CC)	11	4,543	4,626	0	0
Cash and Cash Equivalents	CF6	6,881	3,303	6,881	3,303
<b>Current Assets</b>		<b>44,255</b>	<b>45,185</b>	<b>31,556</b>	<b>32,250</b>
Short Term Creditors (external)	12	(10,997)	(12,693)	(10,997)	(12,693)
Short Term Creditors (amounts owed by PCC to CC re CC share of external debtors)	12	(4,464)	(4,433)	0	0
Short Term Creditors (funding balance due from PCC to CC)	12	(6,981)	(6,214)	0	0
PFI Finance Lease Liability Due within 1 Year	9	(98)	(110)	(98)	(110)
Grants Receipts in Advance	26	0	(3,000)	0	(3,000)
<b>Current Liabilities</b>		<b>(22,540)</b>	<b>(26,450)</b>	<b>(11,095)</b>	<b>(15,803)</b>
Provisions	13	0	0	(1,430)	(560)
Other Long Term Liabilities					
Pensions liability - Police	15	0	0	(1,142,570)	(1,012,460)
Pensions liability - LGPS	15	(796)	(687)	(32,177)	(26,223)
PFI Finance Lease Liability	9	(5,122)	(5,012)	(5,122)	(5,012)
<b>Long Term Liabilities</b>		<b>(5,918)</b>	<b>(5,699)</b>	<b>(1,181,299)</b>	<b>(1,044,255)</b>
<b>Net Assets</b>		<b>80,612</b>	<b>77,246</b>	<b>(1,096,023)</b>	<b>(963,598)</b>
<b>Usable reserves</b>	16				
Police Fund		5,149	3,000	5,149	3,000
Earmarked reserves (revenue)	5	13,844	3,193	13,844	3,193
Earmarked reserves (capital)	5	8,543	17,730	8,543	17,730
Capital Receipts Reserve	4	0	556	0	556
Capital Grants Unapplied	4	4,732	5,442	4,732	5,442
		<b>32,268</b>	<b>29,921</b>	<b>32,268</b>	<b>29,921</b>
<b>Unusable Reserves</b>	17				
Revaluation Reserve	17a	9,315	8,307	9,315	8,307
Capital Adjustment Account	17b	39,259	38,973	39,259	38,973
Pensions Reserve - Police	17e	0	0	(1,142,570)	(1,012,460)
Pensions Reserve - LGPS	17e	(796)	(687)	(32,177)	(26,223)
Collection Fund Adjustment Account	17c	583	739	583	739
Accumulated Absences Account	17d	(17)	(7)	(2,701)	(2,855)
		<b>48,344</b>	<b>47,325</b>	<b>(1,128,291)</b>	<b>(993,519)</b>
<b>Total Reserves</b>		<b>80,612</b>	<b>77,246</b>	<b>(1,096,023)</b>	<b>(963,598)</b>

# Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)	See Note Below	PCC 2014/15 £000s	PCC 2015/16 £000s	Group 2014/15 £000s	Group 2015/16 £000s
Net (Surplus) or Deficit on the provision of services		1,100	2,642	37,623	36,647
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(3,879)	(4,456)	(40,402)	(38,461)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	CF2	23	569	23	569
<b>Net cash (inflow)/ outflow from Operating Activities</b>	CF3	<b>(2,756)</b>	<b>(1,245)</b>	<b>(2,756)</b>	<b>(1,245)</b>
Investing Activities	CF4	7,096	7,725	7,096	7,725
Financing Activities	CF5	89	(2,902)	89	(2,902)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>4,429</b>	<b>3,578</b>	<b>4,429</b>	<b>3,578</b>
Cash and cash equivalents at the beginning of the reporting period		(11,310)	(6,881)	(11,310)	(6,881)
<b>Cash and cash equivalents at the end of the reporting period</b>	CF6	<b>(6,881)</b>	<b>(3,303)</b>	<b>(6,881)</b>	<b>(3,303)</b>
<b>Notes to the Cash Flow Statement</b>					
<b>CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:</b>					
Depreciation & Amortisation		(4,387)	(4,464)	(4,387)	(4,464)
Impairment & Downward Valuations		(1,288)	(2,659)	(1,288)	(2,659)
Carrying amount of non current assets - sold		0	(620)	0	(620)
Grants applied to the financing of capital expenditure		1,387	1,316	1,387	1,316
Pension Liability (Contributions to/from Pensions Reserve)		32	(80)	(37,143)	(33,921)
Creditors - Change in Balance Sheet		(264)	(1,936)	(264)	(1,936)
Creditors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		292	1,689	292	1,689
Creditors - Adjustment re CC Share of Debtors		(1,480)	32	0	0
Creditors - Adjustment re Balance of Funding due from PCC to CC		(1,424)	767	0	0
Debtors - Change in Balance Sheet		2,104	1,105	2,104	1,105
Debtors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		(439)	199	(439)	199
Debtors - Change in Balance Sheet (Adjustment for Investment Interest)		8	(14)	8	(14)
Debtors - Adjustment re CC Share of Creditors		241	126	0	0
Debtors - Adjustment re Balance of Funding due from CC to PCC		1,339	83	0	0
Stock - Change in Balance Sheet		0	0	(32)	(26)
Provisions - Change in Balance Sheet		0	0	(640)	870
<b>Adjustment to net surplus or deficit on the provision of services for non-cash movements</b>		<b>(3,879)</b>	<b>(4,456)</b>	<b>(40,402)</b>	<b>(38,461)</b>

# Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)		PCC 2014/15 £000s	PCC 2015/16 £000s	Group 2014/15 £000s	Group 2015/16 £000s
<b>CF2 - The Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities are made up as follows:</b>					
Proceeds from the Sale of Property, Plant & Equipment and Intangibles		23	569	23	569
<b>Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		<b>23</b>	<b>569</b>	<b>23</b>	<b>569</b>
<b>CF3 - The cash flows from <i>Operating Activities</i> include the following items:</b>					
Interest received		(148)	(137)	(148)	(137)
Interest Paid		658	646	658	646
<b>CF4 - The cash flows from <i>Investing Activities</i> are made up as follows:</b>					
Purchase of property, plant and equipment and intangible assets		9,606	7,111	9,606	7,111
Purchase of short-term and long-term investments		53,300	64,585	53,300	64,585
Proceeds from the sale of property, plant and equipment and intangible assets		(23)	(569)	(23)	(569)
Proceeds from short-term and long-term investments		(54,400)	(62,085)	(54,400)	(62,085)
Other receipts from investing activities		(1,387)	(1,317)	(1,387)	(1,317)
<b>Net cash flows from investing activities</b>		<b>7,096</b>	<b>7,725</b>	<b>7,096</b>	<b>7,725</b>
<b>CF5 - The cash flows from <i>Financing Activities</i> are made up as follows:</b>					
Other receipts from financing activities		0	(3,000)	0	(3,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		89	98	89	98
<b>Net cash flows from financing activities</b>		<b>89</b>	<b>(2,902)</b>	<b>89</b>	<b>(2,902)</b>
<b>CF6 - The balance of <i>Cash and Cash Equivalents</i> is made up as follows:</b>					
Bank current accounts		(14)	(20)	(14)	(20)
Short-term deposit with bank (overnight)		(2,563)	(928)	(2,563)	(928)
Investments in Money Market Funds (available on demand)		(4,304)	(2,355)	(4,304)	(2,355)
<b>Total Cash and Cash Equivalents</b>		<b>(6,881)</b>	<b>(3,303)</b>	<b>(6,881)</b>	<b>(3,303)</b>



## Index of Notes to the Accounts

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The notes to the accounts are provided to aid the understanding of material items within the core financial statements. Where the figures provided are different for the Group and PCC Single Entity either separate notes will be provided or a single note will show the respective figures in different columns, these will be headed Group or PCC. Where the figures are the same for the group and single entity a single note is provided, this is headed up PCC/Group. As a general rule, the column showing the figures for 2015/16 will be highlighted, whilst the comparatives for 2014/15 (where provided) will not.

The notes sometimes include terms that may require further explanation. Where possible, explanations are provided within the note, otherwise explanations are provided within the “glossary of terms” in pages 74-76. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

## 1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in pages 77 to 94 of this document, the Commissioner 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 high degree of uncertainty about future levels of funding for policing. However, the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Commissioner is deemed to control the services provided under the PFI agreement in relation to the West Cumbria [TPA](#) HQ at Workington. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement. The Commissioner has a number of options regarding ownership of the PFI building beyond the initial 25 year contract period including the right to purchase the asset for half of its market value at that time. In December 2015, the PFI building at Hall Brow Workington experienced flooding for the second time in six years. The impact of the flooding on the building highlighted resilience issues for the longer term in respect of both custody and deployment. As a result, options for the future provision of the police estate in West Cumbria are under review and the capital programme for 2016/17 and beyond includes an indicative scheme which seeks to address those resilience issues and provide a longer term solution to the PFI arrangement. In accounting for the PFI contract it is assumed that there is reasonable certainty that the Commissioner will exercise the right to purchase the building. Accordingly the PFI land and building are recognised as property, plant and equipment in the Commissioner's balance sheet at full value of £7.4m. In addition, a liability for outstanding obligations to pay for the building, which includes the cost of purchasing the asset for half its market value at the end of the PFI period are also shown on the balance sheet. As the PFI contract approaches its end it may be necessary to reflect an additional liability to recognise that the market value of the asset may exceed the construction cost.

## 2 Events after the Balance Sheet Date

A post balance sheet event is an event, subsequent to the date of the financial statements, and for which International Financial Reporting Standards and the Code require adjustment or disclosure. Consideration has been given as to whether any events meet the requirement to be disclosed as a post balance sheet event and it has been concluded that no such matters require disclosure.

The Statement of Accounts was authorised for issue by the Commissioner's Chief Finance Officer on 28 July 2016. Events taking place after this date are not reflected in the financial statements or notes.

## 3 Assumptions made about the future and other Sources of Estimation Uncertainty

The statement of Accounts contains estimated figures that are based on assumptions made by the Commissioner about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Commissioner's group balance sheet as at 31 March 2016 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Land and buildings assets are revalued on a five year rolling basis. Therefore the value of the assets that have not been subject to valuation in the financial year may not reflect the true value of that asset.</p> <p>At the balance sheet date 31 March 2016 the value of property, plant and equipment was £64m.</p>	<p>Revaluation gains and losses or disposal proceeds in future years may be significantly different than anticipated. However, as all land and building assets are subject to an annual impairment review, the impact of this is thought to be immaterial.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).</p> <p>At the balance sheet date, the liability in respect of the LGPS pension scheme was £26m and for the police pension scheme was £1,012m.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts (Annex B) in section B Pension Disclosures (pages 100-109).</p>

## 4 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Commissioner in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Commissioner to meet future capital and revenue expenditure.

The figures for the Group for 2015/16 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	Group Police Fund Balance £000s	Group Capital Receipts Reserve £000s	Group Capital Grants Unapplied £000s	Group Total Usable Reserves £000s
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	17e/ Annex B	33,921	0	0	33,921
- Council tax (transfers to or from Collection Fund)	17c/27	(156)	0	0	(156)
- Holiday Pay (transfers to or from Accumulated Absences Account)	17d	154	0	0	154
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	6	6,426	0	1,317	7,743
<b>Total Adjustments to the Revenue Resources</b>		<b>40,345</b>	<b>0</b>	<b>1,317</b>	<b>41,662</b>
<b>Adjustments between Revenue and Capital Resources</b>					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6e	(569)	569	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	6e	13	(13)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	31	(367)	0	0	(367)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	29a	(6,388)	0	0	(6,388)
<b>Total Adjustments between Revenue and Capital Resources</b>		<b>(7,311)</b>	<b>556</b>	<b>0</b>	<b>(6,755)</b>
<b>Adjustments to Capital Resources</b>					
- Use of the Capital Receipts Reserve to finance capital expenditure	29a	0	0	0	0
- Application of capital grants to finance capital expenditure	17b	0	0	(607)	(607)
<b>Total Adjustments to Capital Resources</b>		<b>0</b>	<b>0</b>	<b>(607)</b>	<b>(607)</b>
<b>Total Adjustments</b>		<b>33,034</b>	<b>556</b>	<b>710</b>	<b>34,300</b>

# Notes to the Accounts

The comparative figures for the Group for 2014/15 are set out in the table below:

<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>	<b>Note</b>	<b>Group Police Fund Balance £000s</b>	<b>Group Capital Receipts Reserve £000s</b>	<b>Group Capital Grants Unapplied £000s</b>	<b>Group Total Usable Reserves £000s</b>
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	<b>17e/ Annex B</b>	37,143	0	0	<b>37,143</b>
- Council tax (transfers to or from Collection Fund)	<b>17c/27</b>	(210)	0	0	<b>(210)</b>
- Holiday Pay (transfers to or from Accumulated Absences Account)	<b>17d</b>	(661)	0	0	<b>(661)</b>
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	<b>6</b>	4,288	0	1,387	<b>5,675</b>
<b>Total Adjustments to the Revenue Resources</b>		<b>40,560</b>	<b>0</b>	<b>1,387</b>	<b>41,947</b>
<b>Adjustments between Revenue and Capital Resources</b>					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	<b>6e</b>	(24)	24	0	<b>0</b>
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	<b>6e</b>	0	0	0	<b>0</b>
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	<b>31</b>	(362)	0	0	<b>(362)</b>
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	<b>29a</b>	(7,829)	0	0	<b>(7,829)</b>
<b>Total Adjustments between Revenue and Capital Resources</b>		<b>(8,215)</b>	<b>24</b>	<b>0</b>	<b>(8,191)</b>
<b>Adjustments to Capital Resources</b>					
- Use of the Capital Receipts Reserve to finance capital expenditure	<b>29a</b>	0	(1,067)	0	<b>(1,067)</b>
- Application of capital grants to finance capital expenditure	<b>17b</b>	0	0	(521)	<b>(521)</b>
<b>Total Adjustments to Capital Resources</b>		<b>0</b>	<b>(1,067)</b>	<b>(521)</b>	<b>(1,588)</b>
<b>Total Adjustments</b>		<b>32,345</b>	<b>(1,043)</b>	<b>866</b>	<b>32,168</b>

# Notes to the Accounts

The figures for the PCC for 2015/16 are set out in the table below:

<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>	<b>Note</b>	<b>PCC Police Fund Balance £000s</b>	<b>PCC Capital Receipts Reserve £000s</b>	<b>PCC Capital Grants Unapplied £000s</b>	<b>PCC Total Usable Reserves £000s</b>
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	<b>17e/ Annex B</b>	80	0	0	<b>80</b>
- Council tax (transfers to or from Collection Fund)	<b>17c/27</b>	(156)	0	0	<b>(156)</b>
- Holiday Pay (transfers to or from Accumulated Absences Account)	<b>17d</b>	(10)	0	0	<b>(10)</b>
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	<b>6</b>	6,426	0	1,317	<b>7,743</b>
<b>Total Adjustments to the Revenue Resources</b>		<b>6,340</b>	<b>0</b>	<b>1,317</b>	<b>7,657</b>
<b>Adjustments between Revenue and Capital Resources</b>					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	<b>6e</b>	(569)	569	0	<b>0</b>
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	<b>6e</b>	13	(13)	0	<b>0</b>
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	<b>31</b>	(367)	0	0	<b>(367)</b>
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	<b>29a</b>	(6,388)	0	0	<b>(6,388)</b>
<b>Total Adjustments between Revenue and Capital Resources</b>		<b>(7,311)</b>	<b>556</b>	<b>0</b>	<b>(6,755)</b>
<b>Adjustments to Capital Resources</b>					
- Use of the Capital Receipts Reserve to finance capital expenditure	<b>29a</b>	0	0	0	<b>0</b>
- Application of capital grants to finance capital expenditure	<b>17b</b>	0	0	(607)	<b>(607)</b>
<b>Total Adjustments to Capital Resources</b>		<b>0</b>	<b>0</b>	<b>(607)</b>	<b>(607)</b>
<b>Total Adjustments</b>		<b>(971)</b>	<b>556</b>	<b>710</b>	<b>295</b>



# Notes to the Accounts

The comparative figures for the PCC for 2014/15 are set out in the table below:

<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>	<b>Note</b>	<b>PCC Police Fund Balance £000s</b>	<b>PCC Capital Receipts Reserve £000s</b>	<b>PCC Capital Grants Unapplied £000s</b>	<b>PCC Total Usable Reserves £000s</b>
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	<b>17e/ Annex B</b>	(32)	0	0	<b>(32)</b>
- Council tax (transfers to or from Collection Fund)	<b>17c/27</b>	(210)	0	0	<b>(210)</b>
- Holiday Pay (transfers to or from Accumulated Absences Account)	<b>17d</b>	(9)	0	0	<b>(9)</b>
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	<b>6</b>	4,288	0	1,387	<b>5,675</b>
<b>Total Adjustments to the Revenue Resources</b>		<b>4,037</b>	<b>0</b>	<b>1,387</b>	<b>5,424</b>
<b>Adjustments between Revenue and Capital Resources</b>					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	<b>6e</b>	(24)	24	0	<b>0</b>
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	<b>6e</b>	0	0	0	<b>0</b>
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	<b>31</b>	(362)	0	0	<b>(362)</b>
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	<b>29a</b>	(7,829)	0	0	<b>(7,829)</b>
<b>Total Adjustments between Revenue and Capital Resources</b>		<b>(8,215)</b>	<b>24</b>	<b>0</b>	<b>(8,191)</b>
<b>Adjustments to Capital Resources</b>					
- Use of the Capital Receipts Reserve to finance capital expenditure	<b>29a</b>	0	(1,067)	0	<b>(1,067)</b>
- Application of capital grants to finance capital expenditure	<b>17b</b>	0	0	(521)	<b>(521)</b>
<b>Total Adjustments to Capital Resources</b>		<b>0</b>	<b>(1,067)</b>	<b>(521)</b>	<b>(1,588)</b>
<b>Total Adjustments</b>		<b>(4,178)</b>	<b>(1,043)</b>	<b>866</b>	<b>(4,355)</b>

## 5 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Police Fund balances in [earmarked reserves](#) to provide financing for future expenditure plans and the movement on earmarked reserves during 2015/16 (and comparatives for 2014/15).

Earmarked Reserves		PCC/Group 2014/15 £000s	PCC/Group 2015/16 £000s	Description/Purpose
<b>Insurance Reserve</b>				
Balance at Start of Year	494	522	To offset any insurance claims not specifically detailed in the insurance provision.	
Transfer to Reserve in Year	87	91		
Transfer from Reserve in Year	(59)	(26)		
Balance at End of Year	522	587		
<b>Management of Change</b>				
Balance at Start of Year	1,677	1,683	To help manage significant organisational change. The amount of this reserve is based on estimated future costs of redundancy, in addition to any other associated costs of re-organisation. A decision was taken to transfer funds within this reserve in response to Government funding announcements during 2015.	
Transfer to Reserve in Year	681	0		
Transfer from Reserve in Year	(675)	(600)		
Transfers Between Reserves	0	(1,083)		
Balance at End of Year	1,683	0		
<b>Chief Constable's Operational Contingency</b>				
Balance at Start of Year	250	250	To provide resources to assist in funding unexpected major events, if necessary. The Home Office Financial Management Code recommends that there should be an operational contingency.	
Transfer to Reserve in Year	0	0		
Transfer from Reserve in Year	0	0		
Balance at End of Year	250	250		
<b>Chief Constable's Contingency</b>				
Balance at Start of Year	0	500	A reserve established in 2014/15 and maintained for 2015/16 to meet an increase in budget pressure arising in year as a result of budgeting risks taken during the budget process. The establishment of this reserve has supported a significant reduction in the ongoing revenue budget requirement.	
Transfer to Reserve in Year	500	0		
Transfer from Reserve in Year	0	0		
Balance at End of Year	500	500		
<b>PFI Reserve &amp; Lifecycle Replacement</b>				
Balance at Start of Year	1,873	1,863	To equalise the impact on the Comprehensive Income and Expenditure Statement of changing levels of grant income and charges over the period of the PFI contract. A decision was taken during 2015/16 to transfer funds within this reserve in response to the December 2015 floods and consequent changes to the capital programme.	
Transfer to Reserve in Year	0	56		
Transfer from Reserve in Year	(10)	(46)		
Transfers Between Reserves	0	(1,560)		
Balance at End of Year	1,863	313		
<b>Police and Crime Commissioner Operational Contingency</b>				
Balance at Start of Year	250	250	To provide resources both to back up the annual operational contingency and, in addition, to assist in funding unexpected expenditure/budget pressures in line with the Commissioner's responsibilities. The Home Office Financial Management Code recommends that there should be an operational contingency.	
Transfer to Reserve in Year	0	0		
Transfer from Reserve in Year	0	0		
Balance at End of Year	250	250		
<b>Police and Crime Commissioner Transition</b>				
Balance at Start of Year	79	50	To help manage the costs associated with the transition plan for the four yearly appointment of Police and Crime Commissioners. This reserve has been extinguished in 2015/16 with the balance transferred to other reserves.	
Transfer to Reserve in Year	0	0		
Transfer from Reserve in Year	(29)	0		
Transfers Between Reserves	0	(50)		
Balance at End of Year	50	0		

## Transfers to/from Earmarked Reserves (Continued)

Earmarked Reserves		PCC/Group 2014/15 £000s	PCC/Group 2015/16 £000s	Description/Purpose
<b>Formula Funding/Autumn Statement Risk</b>				
Balance at Start of Year	0	200	A reserve established during 2014/15 to provide resources to contribute towards future budgets as a result of risk of funding formula and grant settlement reductions. This reserve has been extinguished in 2015/16 and the potential impact of the funding formula re-allocations has been modelled into the MTFF.	
Transfer to Reserve in Year	200	383		
Transfer from Reserve in Year	0	0		
Transfers Between Reserves	0	(583)		
Balance at End of Year	200	0		
<b>Investment Fund</b>				
Balance at Start of Year	9,280	5,707	This fund was established to invest in initiatives to deliver the police and crime plan. During the year the reserve has been used to manage funding to support the significant investment in mobile and digital working. A decision was taken during 2015/16 to transfer funds within this reserve in response to the December 2015 floods and consequent changes to the capital programme.	
Transfer to Reserve in Year	1,568	2,606		
Transfer from Reserve in Year	(2,200)	(1,573)		
Transfers Between Reserves	(2,941)	(6,521)		
Balance at End of Year	5,707	219		
<b>Past Service Cost (LGPS)</b>				
Balance at Start of Year	196	0	A reserve established in 2013/14 to be used to help meet additional past service costs. This reserve was amalgamated into the investment fund during 2014/15.	
Transfer to Reserve in Year	0	0		
Transfer from Reserve in Year	0	0		
Transfers Between Reserves	(196)	0		
Balance at End of Year	0	0		
<b>Public Holiday</b>				
Balance at Start of Year	214	0	Historically set up to smooth peaks in overtime expenditure due when bank holidays fall across financial years. During 2015/16 the decision was made to include from 2016/17 the relevant public holidays within base budgets and as such this reserve has been closed.	
Transfer to Reserve in Year	75	0		
Transfer from Reserve in Year	(289)	0		
Balance at End of Year	0	0		
<b>Short Term Project Reserves</b>				
Balance at Start of Year	2,482	2,819	To support a variety of locally managed initiatives granted under the scheme of devolved resource management. These are primarily multi-year technology based projects or resources to provide funding for unbudgeted costs within the 2016/17 financial year. Transfers between reserves during 2015/16 reflect project resources that were re-prioritised to respond to the December 2015 floods.	
Transfer to Reserve in Year	1,518	676		
Transfer from Reserve in Year	(1,181)	(868)		
Transfers Between Reserves	0	(1,553)		
Balance at End of Year	2,819	1,074		
<b>Total Revenue Reserves</b>				
Balance at Start of Year	16,795	13,844	Total of all reserves earmarked for revenue purposes (as set out above).	
Transfer to Reserve in Year	4,629	3,812		
Transfer from Reserve in Year	(4,443)	(3,113)		
Transfers Between Reserves	(3,137)	(11,350)		
Balance at End of Year	13,844	3,193		
<b>Capital Reserves</b>				
Balance at Start of Year	10,870	8,543	The capital reserve holds direct contributions from the revenue budget to fund capital schemes within the approved capital programme. Capital reserves are set at a level to ensure that the programme is fully funded for the life of the medium term financial forecast (4 years). The reserve was increased during 2015/16 following changes to the capital programme from 2016/17 onwards in response to the December 2015 floods.	
Transfer to Reserve in Year	851	0		
Transfer from Reserve in Year	(6,315)	(4,312)		
Transfers Between Reserves	3,137	13,499		
Balance at End of Year	8,543	17,730		

# Notes to the Accounts

## 6 Property, Plant and Equipment

The table below summarises the movements in Property, Plant and Equipment during the year:

Property, Plant and Equipment	PCC/Group					Total	PFI
	Land and Buildings	Vehicles	IT and Technology	Furniture and Equipment	Assets Under Construction	Property, Plant & Equipment	Assets Included in P.P.E.
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>							
At 1 April 2015	52,371	9,292	24,998	3,774	4,573	95,008	7,776
Additions	0	578	3,343	739	4,118	8,778	0
Additions transferred from assest under construction	8,492	0	0	0	(8,492)	0	0
Enhancements	124	0	0	0	0	124	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,689)	0	0	0	0	(1,689)	(717)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,410)	0	0	0	0	(1,410)	(45)
Derecognition - Disposals	(30)	(1,146)	0	(55)	0	(1,231)	0
Derecognition - Other *	0	0	(9,984)	0	0	(9,984)	0
Assets reclassified (to)/from Held for Sale	(3,950)	0	0	0	0	(3,950)	0
<b>At 31 March 2016</b>	<b>53,908</b>	<b>8,724</b>	<b>18,357</b>	<b>4,458</b>	<b>199</b>	<b>85,646</b>	<b>7,014</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
At 1 April 2015	(2,435)	(6,068)	(19,697)	(2,579)	0	(30,779)	(349)
Depreciation Charge	(1,313)	(914)	(1,777)	(233)	0	(4,237)	(168)
Derecognition - Disposals	7	1,146	0	56	0	1,209	0
Derecognition - Other *	0	0	9,984	0	0	9,984	0
Depreciation written out to the Revaluation Reserve	776	0	0	0	0	776	267
Depreciation written out to the Surplus/Deficit on the Provision of Services	701	0	0	0	0	701	0
Assets reclassified (to)/from Held for Sale	454	0	0	0	0	454	0
<b>Depreciation as at 31 March 2016</b>	<b>(1,810)</b>	<b>(5,836)</b>	<b>(11,490)</b>	<b>(2,756)</b>	<b>0</b>	<b>(21,892)</b>	<b>(250)</b>
<b>Net Book Value</b>							
<b>At 31 March 2016</b>	<b>52,098</b>	<b>2,888</b>	<b>6,867</b>	<b>1,702</b>	<b>199</b>	<b>63,754</b>	<b>6,764</b>
<b>At 31 March 2015</b>	<b>49,936</b>	<b>3,224</b>	<b>5,301</b>	<b>1,195</b>	<b>4,573</b>	<b>64,229</b>	<b>7,427</b>

\*The result of a housekeeping exercise to remove fully depreciated ICT equipment that is no longer in use from the asset register.



*The new Territorial Police Area headquarters for South Cumbria which opened in Barrow in September 2015*

# Notes to the Accounts

The comparative figures for 2014/15 are set out in the table below:

Property, Plant and Equipment	PCC/Group					Total Property, Plant & Equipment	PFI Assets Included in P.P.E.
	Land and Buildings	Vehicles	IT and Technology	Furniture Equipment & Plant	Assets Under Construction		
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>							
At 1 April 2014	54,050	7,823	23,170	2,950	709	88,702	7,776
Additions	0	2,163	2,110	824	3,864	8,961	0
Enhancements	349	0	0	0	0	349	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	288	0	0	0	0	288	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,376)	0	0	0	0	(1,376)	0
Derecognition - Disposals	0	(694)	(282)	0	0	(976)	0
Assets reclassified (to)/from Held for Sale	(940)	0	0	0	0	(940)	0
<b>At 31 March 2015</b>	<b>52,371</b>	<b>9,292</b>	<b>24,998</b>	<b>3,774</b>	<b>4,573</b>	<b>95,008</b>	<b>7,776</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
At 1 April 2014	(1,369)	(5,820)	(18,271)	(2,493)	0	(27,953)	(182)
Depreciation Charge	(1,345)	(942)	(1,708)	(86)	0	(4,081)	(167)
Depreciation on Disposals	0	694	282	0	0	976	0
Depreciation written out to the Revaluation Reserve	47	0	0	0	0	47	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	200	0	0	0	0	200	0
Assets reclassified (to)/from Held for Sale	32	0	0	0	0	32	0
<b>Depreciation as at 31 March 2015</b>	<b>(2,435)</b>	<b>(6,068)</b>	<b>(19,697)</b>	<b>(2,579)</b>	<b>0</b>	<b>(30,779)</b>	<b>(349)</b>
<b>Net Book Value</b>							
<b>At 31 March 2015</b>	<b>49,936</b>	<b>3,224</b>	<b>5,301</b>	<b>1,195</b>	<b>4,573</b>	<b>64,229</b>	<b>7,427</b>
<b>At 31 March 2014</b>	<b>52,681</b>	<b>2,003</b>	<b>4,900</b>	<b>457</b>	<b>709</b>	<b>60,750</b>	<b>7,594</b>





## 6.a Valuations Rolling Programme

The Commissioner carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations of land and buildings are carried out on behalf of the Commissioner by Mr. C. Smith Bsc MRICS of Carigiet Cowen and were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on historic cost as a proxy for fair value. The basis of the valuations is set out in the statement of accounting policies on page 87. The table below sets out details of the land and buildings valuations undertaken over the five year rolling programme.

Valuations Rolling Programme	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture Equipment & Plant £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s
Carried at Historical Cost	202	8,724	18,357	4,229	199	31,711
Valued at Current Value as at:						
- 31 March 2016	21,648	0	0	229	0	21,877
- 31 March 2015	7,177	0	0	0	0	7,177
- 31 March 2014	24,881	0	0	0	0	24,881
Total Cost or Valuation	53,908	8,724	18,357	4,458	199	85,646

## 6.b Impairment Review

The Commissioner's professional valuer, Mr. C. Smith of Carigiet Cowen, has made an assessment of the possible effects of material [impairment](#) to land and buildings during the financial year. His assessment was based on a number of specific criteria, which, in his opinion, could affect the valuation of assets. The outcome of the assessment process is that for the majority of premises the valuer has concluded that there are no impairments. The valuer has however impaired on a temporary basis those premises impacted by the December 2015 flooding (Carleton Hall HQ, Workington and Appleby) to the extent that some reinstatement work remains outstanding. The valuer has also impaired the Workington premises on a permanent basis by 10% of its value reflecting an increase in the perceived risk of future flooding.

## 6.c Property, Plant and Equipment in the Ownership of the Police and Crime Commissioner

A brief analysis of the Commissioner's principal assets as at 31 March 2016 is set out below:

Property, Plant and Equipment in Ownership of PCC		PCC/Group As at 31 March	
		2015 Number	2016 Number
HQ, TPA HQ & Larger Police Stations		9	9
Other Police Stations		11	10
Police Houses and other Properties		13	13
Surplus Properties/ Held for Sale/ Investment Properties		6	4
Vehicles		416	353



# Notes to the Accounts

The table at 6c shows a reduction in the number of vehicles at the end of March 2016 compared to that at the end of March 2015. This reduction is purely a timing difference whereby at the balance sheet date in 2015 new vehicles had been received and were being commissioned to replace vehicles which at that time were still to be decommissioned and disposed of.

## 6.d Effects of Changes in Estimates

There have been no material changes in estimates in the 2015/16 accounts.

## 6.e Gain / Loss on Sale of Property, Plant and Equipment

The table below analyses the (gain)/loss on sale of property, plant and equipment for the year ended 31 March 2016.

PCC/Group				
Gain/Loss on Sale of Property, Plant and Equipment	Net Book Value £000s	Costs of Sale £000s	Proceeds of Sale £000s	(Gain) / Loss 2015/16 £000s
Land and Buildings	620	13	(569)	64
Vehicles	0	19	(130)	(111)
ICT Equipment	0	0	0	0
<b>Total</b>	<b>620</b>	<b>32</b>	<b>(699)</b>	<b>(47)</b>

The comparative figures for 2014/15 are set out in the table below:

PCC/Group				
Gain/Loss on Sale of Property, Plant and Equipment	Net Book Value £000s	Costs of Sale £000s	Proceeds of Sale £000s	(Gain) / Loss 2014/15 £000s
Land and Buildings	0	0	0	0
Vehicles	0	12	(95)	(83)
ICT Equipment	0	0	(23)	(23)
<b>Total</b>	<b>0</b>	<b>12</b>	<b>(118)</b>	<b>(106)</b>

Note in 2015/16 £130k (£94k in 2014/15) of receipts from proceeds of sale included in the above table were individually below the £10k threshold for recognition as [capital receipts](#) and have therefore been treated as revenue income. This explains why the capital receipts recorded in note 4 show £569k (£24k in 2014/15) rather than £699k (£118k in 2014/15) as above.

## 7 Assets Held for Sale

Assets held for sale relate to land and buildings assets that are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets. The assets are being actively marketed for a sale at a price that is reasonable in relation to its current [fair value](#). The sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

The table below shows the movement on Assets Held for Sale in 2015/16 with comparative information for 2014/15.

Assets Held for Sale	PCC/Group As at 31 March	
	2015 £000s	2016 £000s
Balance outstanding at start of year	0	796
Newly classified as held for sale	908	3,496
Revaluation gains/(losses)	(167)	(1,950)
Reversal of Impairment losses	55	0
Assets sold	0	(598)
De-classified as held for sale	0	0
<b>Balance outstanding at end of year</b>	<b>796</b>	<b>1,744</b>

*At 31 March 2016 a total of 3 properties were classified as **held for sale**: Maryport Police Station, Barrow Police Station, and Ulverston Police Station (all pictured below).*



## 8 Intangible Assets

The Commissioner accounts for his computer 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 within Property, Plant and Equipment. The intangible assets include computer software development and acquisitions. All software is given a finite useful life (5 years), based on assessments of the period that the software is expected to be of use to the Commissioner. The carrying amount of intangible assets is amortised on a straight line basis and is charged to the Comprehensive Income and Expenditure Statement.

A summary of the movements in intangible assets during the year and the position as at 31 March 2016 (with comparatives for 2014/15) is set out in the table below:

Intangible Assets	PCC/Group	
	2014/15 £000s	2015/16 £000s
Balance at start of year		
- Gross carrying amount	5,017	5,166
- Accumulated amortisation	(4,374)	(4,680)
<b>Net carrying amount at start of year</b>	<b>643</b>	<b>486</b>
Reclassification Adjustment	0	0
Additions	149	97
Disposals	0	(2,043)
Amortisations for the period	(306)	(227)
Amortisation adjustment re disposals	0	2,043
<b>Net carrying amount at end of year</b>	<b>486</b>	<b>356</b>
Comprising		
- Gross carrying amount	5,166	3,220
- Accumulated amortisation	(4,680)	(2,864)
	<b>486</b>	<b>356</b>

***Intangible Assets** are those which do not have physical substance but are controlled as a result of past events (e.g. software licences) where expenditure is capitalised when it is expected that future economic benefits or service potential will flow from the asset.*

***Amortisation** is the practice of reducing the value of assets to reflect their reduced worth over time. The term means the same as depreciation.*

Allocation of Amortisation	PCC/Group	
	2014/15 £000s	2015/16 £000s
Local Policing	138	102
Dealing with the Public	33	24
Criminal Justice Arrangements	35	26
Road Policing	20	15
Specialist Operations	9	7
Intelligence	21	15
Specialist Investigations	39	29
Investigative Support	8	6
National Policing	3	3
	<b>306</b>	<b>227</b>

*The amortisation in the year is initially charged to the IT Services Department and is then allocated across services on a headcount basis. The table to the left shows the amount of amortisation attributable to each service heading.*

## 9 Private Finance Initiative (PFI)

The former Police Authority entered an agreement for the construction and subsequent servicing of a [TPA](#) Headquarters facility in West Cumbria in September 2001 under a PFI arrangement. Under the agreement the PFI provider constructed the facility, and undertakes to make the building available to the Commissioner in a specified condition for a 25 year period in return for a monthly unitary charge payment made by the Commissioner. In addition the provider delivers a range of services in relation to the building which are specified in the PFI contract. At the end of the contract period the Commissioner has the right to acquire the building at 50% of its market value.

The PFI asset is recognised on the Commissioner's balance sheet along with a corresponding PFI finance lease liability which recognises the Commissioner's outstanding liability to pay for the asset. The PFI asset is depreciated and revalued in the same way as any other asset in accordance with accounting policies. The unitary charge payment is now split into three components in the accounts as follows:

- Service Charges – these continue to be charged to the service expenditure element of the CI&ES.
- Interest Payments – these are charged to the external interest payable heading on the Comprehensive Income and Expenditure Statement.
- Repayment of Principal – this charge reduces the outstanding balance sheet liability for the asset. However, a corresponding increase in the [minimum revenue provision](#) is made in accordance with the Commissioner's minimum revenue provision policy.

In accordance with accounting practice, lifecycle replacement costs are now recognised when they are actually incurred. The Commissioner receives specific government funding from [DCLG](#) as a contribution to the costs of financing the scheme.



West TPA HQ – Hall Brow, Workington

**Private Finance Initiatives (PFI)** are arrangements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

# Notes to the Accounts

The following information is disclosed in relation to the PFI asset.

## 9.a Movement on Fixed Assets

The value and movement in value of the asset held under the PFI agreement is analysed in note 6 above.

## 9.b PFI Finance Lease Liability

The value of Liabilities resulting from the PFI Agreement are shown in the table below:

PFI Lease Liability	PCC/Group As at 31 March	
	2015 £000s	2016 £000s
Balance at the start of the year	(5,306)	(5,220)
Repayments made during year	86	98
Balance at the end of the year	(5,220)	(5,122)
<b>Split of liability</b>		
Current Liability	(98)	(110)
Long Term Liability	(5,122)	(5,012)
	(5,220)	(5,122)

## 9.c Payments Due to be made under PFI Contract

An estimate of the future payments to be made under the PFI contract are shown in the table below. Where applicable an estimated inflation index of 2% (linked to the GDP deflator) per annum has been applied to the payments.

Payments Due under PFI Contract	PCC/Group			
	Repayment of Liability £000s	Interest Payments £000s	Service Costs £000s	Total £000s
Repayable within one year	110	634	498	1,242
Between two and five years	609	2,367	2,204	5,180
Between six and ten years	1,339	2,381	3,142	6,862
Between eleven and fifteen years	3,064	156	290	3,510
	5,122	5,538	6,134	16,794

The repayment of liability figures include a sum of £2,910k between 11 and 15 years which recognises that there is reasonable certainty that the Commissioner will exercise his right to purchase the PFI building at the end of the PFI contract period. See critical judgement note 1 (page 32) for further explanation.

## 10 Leases

### 10.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

### 10.b Operating leases

The Commissioner utilises land and buildings and equipment assets under operating leases. The land and buildings are typically short to medium term rentals of buildings. The figures do however include the lease of land at Durranhill from Carlisle City Council upon which the North [TPA](#) HQ and custody suite was constructed. This lease runs for a period of 125 years until March 2132 and the annual lease payments are currently £31k p.a. The equipment includes livescan fingerprint machines and photocopiers.

The future minimum lease payments due under non-cancellable leases in future years are:

Future Minimum Lease Payments	PCC/Group As at 31 March	
	2015	2016
	£000s	£000s
Not later than one year	227	201
Later than one year and not later than five years	124	124
Later than five years.	3,464	3,433
	<b>3,815</b>	<b>3,758</b>

The expenditure charged to the Net Cost of Police Services in relation to these leases was:

Lease Expenditure Charged to Net Cost of Police Services	PCC/Group 2014/15	PCC/Group 2015/16
	£000s	£000s
Minimum Lease Payments		
- Land and Buildings	175	144
- Equipment	74	116
	<b>249</b>	<b>260</b>



North TPA HQ – Durranhill, Carlisle

There are two categories of leases:  
**Operating leases** are where the risks and rewards of ownership stay with the lessor and the annual rental charges are charged through the CI&ES  
**Finance leases** are where the risks and rewards of ownership are transferred to the lessee and where the assets are recognised on the balance sheet of the lessee.



## 11 Short-term Debtors

*Debtors reflect amounts owing to the Police and Crime Commissioner but not yet received at the end of the financial year.*

A breakdown of the amounts owing to the Commissioner as at 31 March 2016 is set out in the table below:

Short-term Debtors	PCC		Group	
	As at 31 March		As at 31 March	
	2015	2016	2015	2016
	£000s	£000s	£000s	£000s
Central Government Bodies	4,589	4,469	4,589	4,469
Other Police / Local Authorities	569	673	569	673
NHS Bodies	69	53	69	53
Public Corporations & Trading Funds	1	48	1	48
Other Entities and Individuals (see below)	6,706	7,542	6,706	7,542
Impairment (Provision for Bad Debts)	(894)	(880)	(894)	(880)
Other Entities and Individuals (Net of Impairment)	<b>5,812</b>	<b>6,662</b>	<b>5,812</b>	<b>6,662</b>
Balances Owed From Chief Constable:				
- Re CC Share of External Creditors	8,451	8,577	0	0
- Re balance of Funding	4,543	4,626	0	0
<b>Total Debtors</b>	<b>24,034</b>	<b>25,108</b>	<b>11,040</b>	<b>11,905</b>

The amounts in respect of other entities and individuals are analysed further in the table below for information.

Analysis of Other Entities and Individuals	PCC		Group	
	As at 31 March		As at 31 March	
	2015	2016	2015	2016
	£000s	£000s	£000s	£000s
Police Pensioners Prepayment	2,104	2,173	2,104	2,173
Goods and Services	257	1,092	257	1,092
Prepayments/Payments In Advance	2,285	2,342	2,285	2,342
Employees (accumulated compensating absences)	216	75	216	75
Local Taxpayers (#)	1,844	1,860	1,844	1,860
	<b>6,706</b>	<b>7,542</b>	<b>6,706</b>	<b>7,542</b>
Less - Provision for Bad Debts (Goods & Services)	(1)	(1)	(1)	(1)
Less - Provision for Bad Debts (Local Taxpayers) (#)	(893)	(879)	(893)	(879)
	<b>(894)</b>	<b>(880)</b>	<b>(894)</b>	<b>(880)</b>
<b>Other Entities and Individuals (Net of Impairment)</b>	<b>5,812</b>	<b>6,662</b>	<b>5,812</b>	<b>6,662</b>

# The debtors in respect of Local Taxpayers represent the Commissioner's share of the debtors recorded by the six Cumbrian District Councils in respect of Council Tax. This figure is reduced by the Commissioner's share of their respective bad debt provisions.

## 12 Short-term Creditors

*Creditors reflect amounts owed by the Police and Crime Commissioner for goods and services received which had not been paid for at the end of the financial year.*

An analysis of the amounts owed by the Commissioner as at 31 March 2016 is set out in the table below:

Short-term Creditors	PCC		Group	
	As at 31 March 2015 £000s	2016 £000s	As at 31 March 2015 £000s	2016 £000s
Central Government Bodies	(1,821)	(1,736)	(1,821)	(1,736)
Other Police / Local Authorities	(327)	(793)	(327)	(793)
NHS Bodies	(19)	(49)	(19)	(49)
Public Corporations & Trading Funds	0	0	0	0
Other Entities and Individuals (see below)	(8,830)	(10,115)	(8,830)	(10,115)
	<b>(10,997)</b>	<b>(12,693)</b>	<b>(10,997)</b>	<b>(12,693)</b>
Balances Owed to Chief Constable:				
- Re CC Share of External & Employee Debtors	(4,464)	(4,433)	0	0
- Re balance of Funding	(6,981)	(6,214)	0	0
<b>Total Creditors</b>	<b>(22,442)</b>	<b>(23,340)</b>	<b>(10,997)</b>	<b>(12,693)</b>

The amounts in respect of other entities and individuals are analysed further in the table below for information.

Analysis of Other Entities and Individuals	PCC		Group	
	As at 31 March 2015 £000s	2016 £000s	As at 31 March 2015 £000s	2016 £000s
Goods and Services	(4,999)	(5,999)	(4,999)	(5,999)
Receipts In Advance	(170)	(489)	(170)	(489)
Employees (accumulated compensating absences)	(2,918)	(2,931)	(2,918)	(2,931)
Local Taxpayers	(743)	(696)	(743)	(696)
<b>Other Entities and Individuals</b>	<b>(8,830)</b>	<b>(10,115)</b>	<b>(8,830)</b>	<b>(10,115)</b>

## 13 Provisions

The Commissioner is able to maintain [provisions](#) to meet expected future liabilities. The Code of Practice on Local Authority Accounting advises that the value of any provisions be charged to the appropriate part of the Comprehensive Income and Expenditure Statement in anticipation of the liability having to be met in the future. The classification of provisions is consistent with the Code of Practice.

A brief description of the purpose of the individual provisions as at 31 March 2016 is provided below:

- Insurance liabilities – this provision has been established to meet a number of eventualities which are not covered by external insurers. In particular, liability risks up to £100k per event (this figure was £25k until 1 November 2014 when the policy excess was increased from £25k to £100k) are retained by the Commissioner and met internally.
- Termination Payments - this employee related provision related to a liability that existed in respect of termination benefits as a result of a decision made during 2014/15 for which the actual payments fell 2015/16.
- Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.

The table below shows the movements during the year on each of the group provisions and the position as at 31 March 2016.

Provisions	Balance as at 01/04/15	Additional Provisions Made 2015/16	Amounts Used in 2015/16	Unused Amounts Reversed in 2015/16	Balance as at 31/03/16
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(495)	(132)	143	0	(484)
Termination Payments	(555)	0	555	0	0
Legal Claims	(380)	(25)	90	239	(76)
<b>Total Provisions</b>	<b>(1,430)</b>	<b>(157)</b>	<b>788</b>	<b>239</b>	<b>(560)</b>

The comparative information for year ended 31 March 2015 is as follows:

Provisions	Balance as at 01/04/14	Additional Provisions Made 2014/15	Amounts Used in 2014/15	Unused Amounts Reversed in 2014/15	Balance as at 31/03/15
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(495)	(164)	164	0	(495)
Termination Payments	(45)	(555)	40	5	(555)
Legal Claims	(250)	(130)	0	0	(380)
<b>Total Provisions</b>	<b>(790)</b>	<b>(849)</b>	<b>204</b>	<b>5</b>	<b>(1,430)</b>

## 14 Financial Instruments

***Financial Instruments** are contracts that give rise to a financial asset in one entity and a financial liability in another. The term covers both **financial assets** such as loans and receivables and **financial liabilities** such as creditors and borrowings.*

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the PCC/Group are included in section A of a separate technical appendix at Annex B on pages 95 to 99.

The disclosures include:

- The Categories of Financial Instrument
- Gains and Losses on Financial Instruments
- Fair value of Assets and Liabilities Carried at Amortised Cost
- Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

## 15 Pensions

The PCC/Group participates in the Local Government Pension Scheme (LGPS) for Police Staff and three pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the PCC/Group are included in section B of a separate technical appendix at Annex B on pages 100 to 109.

The disclosures include:

- Details of the pension schemes
- A summary of accounting entries in respect of pensions
- Pensions assets and liabilities recognised in the balance sheet
- Reconciliation of the Fair Value of scheme assets
- Basis for estimating assets and liabilities
- A summary of principal assumptions used by the scheme actuary
- Sensitivity analysis in relation to pensions
- Impact on the Commissioner's Cash Flows

## 16 Usable Reserves

*Usable reserves result from the Commissioner's activities and are available to be spent in future years.*

In addition to the Commissioner's Police Fund, which the Commissioner aims to maintain at 3% of budgeted expenditure (this figure was set at 5% prior to 2015/16), the following reserves are maintained and accounted for in line with the Code of practice.

- [Capital Receipts](#) Reserve – this reserve is used to hold capital receipts until they are utilised to finance capital expenditure or reduce borrowing.
- Capital Grants Unapplied Account – this reserve is used to hold capital grants until they are utilised to finance capital expenditure.
- Capital Reserve – this reserve is a revenue backed earmarked reserve that has been set aside to fund capital expenditure.
- [Earmarked Reserves](#) - The Commissioner has a number of earmarked reserves that exist both to provide a [contingency](#) to cushion the effect of unexpected events and to provide a mechanism to build up funds to meet expected liabilities. The Commissioner's earmarked reserves have been formulated in conjunction with the [CIPFA](#) guidance on Reserves and [Provisions](#). Details of the earmarked reserves in existence and a brief description as to their purpose is included in note 5 to the accounts (see pages 38-39).

The movement in the Commissioner's Group and Single Entity Usable Reserves is detailed in the Movement in Reserves Statement (see pages 24 and 25), and the disclosure notes relating to Adjustments between the Accounting Basis and Funding Basis under regulations (Note 4) and Transfer to/from Earmarked reserves (Note 5).

## 17 Unusable Reserves

*Unusable reserves derive from accounting adjustments and are not available to be spent.*

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 Commissioner.

### 17.a Revaluation Reserve

The [Revaluation Reserve](#) contains the overall gains made by the Commissioner arising from increases in the value of Property, Plant and Equipment and Intangible assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through [depreciation](#), or
- disposed of and the gains are realised.

The Reserve records the unrealised net gain from the revaluation of non-current assets accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the [Capital Adjustment Account](#). The balance is made up of individual credit balances associated with specific assets and will be equal to the difference between the current value net book value (NBV) and the historic cost NBV for all assets.

The movements on the reserve during 2015/16 and the previous year are set out in the table below:

Revaluation Reserve	PCC/Group 2014/15 £000s	PCC/Group 2015/16 £000s
Balance at Start of Year	8,980	9,315
Upward revaluation of assets	335	148
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	(1,061)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	335	(913)
Difference between fair value depreciation and historical cost depreciation	0	(95)
Amount written off to Capital Adjustment Account	0	(95)
Balance at End of Year	9,315	8,307



## 17.b Capital Adjustment Account

The [Capital Adjustment Account](#) (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of [non-current assets](#) and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as [depreciation](#), [impairment](#) losses and [amortisations](#) are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the [Revaluation Reserve](#) to convert [fair value](#) figures to a historical cost basis). The account is credited with the amounts set aside by the Commissioner as finance for the costs of acquisition, construction and enhancement. The account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation reserve was created to hold such gains. Note 4 provides details of the source of all the transactions posted to the account apart from those involving the revaluation reserve.

The movements on the account during 2015/16 and the previous year are set out in the table below:

Capital Adjustment Account		PCC/Group 2014/15 £000s	PCC/Group 2015/16 £000s
<b>Balance at Start of Year</b>		<b>35,155</b>	<b>39,259</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
Charges for depreciation and impairment of non-current assets		(4,081)	(4,237)
Revaluation gains/(losses) on Property, Plant and Equipment		(1,288)	(2,659)
Amortisation of Intangible assets		(306)	(227)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement		0	(620)
		<b>(5,675)</b>	<b>(7,743)</b>
Adjusting amounts written out of the Revaluation Reserve		0	95
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(5,675)</b>	<b>(7,648)</b>
<b>Capital financing applied in the year:</b>			
Use of the Capital Receipts Reserve to finance new capital expenditure		1,067	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		521	607
Statutory provision for the financing of capital investment charged against the General Fund		362	367
Capital expenditure charged against the Police Fund		7,829	6,388
		<b>9,779</b>	<b>7,362</b>
<b>Balance at End of Year</b>		<b>39,259</b>	<b>38,973</b>

## 17.c 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 from Council Tax payers compared with the statutory arrangements.

The end of year balance on the account reflects the Commissioner's aggregate share of the Surplus/(Deficit) on the Collection fund operated by each of the 6 district councils (or billing authorities) that has yet to be distributed. The movements on the account during 2015/16 and the previous year are set out in the table below:

Collection Fund Adjustment Account		PCC/Group 2014/15 £000s	PCC/Group 2015/16 £000s
Balance at Start of Year		373	583
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		210	156
<b>Balance at End of Year</b>		<b>583</b>	<b>739</b>

A further breakdown of the movement in year by district council, is provided in note 27 on page 66.

## 17.d Accumulated Absences Account

The short-term accumulated absences account absorbs the differences that would otherwise arise on the Police Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave, flexi leave, time off in lieu and rest day entitlements carried forward at 31 March. Statutory arrangements require that the impact on the Police Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account	PCC 2014/15 £000s	PCC 2015/16 £000s	Group 2014/15 £000s	Group 2015/16 £000s
<b>Balance at Start of Year</b>	<b>(26)</b>	<b>(17)</b>	<b>(3,362)</b>	<b>(2,701)</b>
Settlement or cancellation of accrual made at the end of the preceeding year	26	17	3,362	2,701
Amounts accrued at the end of the current year	(17)	(7)	(2,701)	(2,855)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9	10	661	(154)
<b>Balance at End of Year</b>	<b>(17)</b>	<b>(7)</b>	<b>(2,701)</b>	<b>(2,855)</b>

## 17.e Pensions Reserve

The Pensions [Reserves](#) (LGPS and Police) absorb the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding in accordance with statutory provisions. The Commissioner accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Commissioner makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Commissioner has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	PCC		Group		Group	
	LGPS Pensions		LGPS Pensions		Police Pensions	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(563)	(796)	(17,339)	(32,177)	(999,400)	(1,142,570)
Adjustment to Opening Balance	61	0	0	0	0	0
Adjusted Balance at Start of Year	(502)	(796)	(17,339)	(32,177)	(999,400)	(1,142,570)
Remeasurement of the net defined pension benefit liability/asset	(326)	189	(15,615)	8,895	(105,250)	161,090
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(106)	(151)	(3,985)	(6,054)	(63,910)	(57,080)
Employer's pension contributions and direct payments to pensioners payable in the year.	138	71	4,762	3,113	25,990	26,100
<b>Balance at End of Year</b>	<b>(796)</b>	<b>(687)</b>	<b>(32,177)</b>	<b>(26,223)</b>	<b>(1,142,570)</b>	<b>(1,012,460)</b>

In 2014/15 the above table shows an adjustment to the Local Government Pension Scheme (LGPS) opening balance between the PCC and CC accounts of £61k. In 2013/14 an estimation was made of the split of the LGPS between the Commissioner (PCC) and the Constabulary (CC). From 1 April 2014 and stage 2 of the transition process being completed the pension scheme has been split into two separate employers. The adjustment to the opening balance of £61k was required to the single entity statements of the PCC and CC to reconcile to the actuarial calculations provided for 2014/15.

## 18 Related Party Transactions

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

### 18.a Chief Constable for Cumbria Constabulary

The Police and Crime Commissioner has direct control over the Chief Constable's finances, providing funding for all running costs and taking responsibility for funding of all pensions' liabilities. The Commissioner is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the funding arrangement set by the Commissioner, to deliver the aims and objectives set out in the Police and Crime Plan.

### 18.b Central Government

Central government has effective control over the general operations of the Commissioner – it is responsible for providing the statutory framework within which the Commissioner operates and provides the majority of its funding in the form of grants. Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement (page 26). Government Grants included within the Net Cost of Services are detailed in note 25 below, the extent to which these grants are outstanding at the end of the year is recorded in short-term [debtors](#) note 11.

### 18.c Members

The Commissioner has eight appointed Members, four who serve on the Joint Audit and Standards Committee and four who serve on the Ethics and Integrity Panel. These members are required to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2015/16 financial year. The total members allowances paid in 2015/16 are shown in note 19.

### 18.d Officers and Employees

Employees of the Commissioner and senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2015/16 financial year.

### 18.e Other Public Bodies

The Commissioner's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in the pension related disclosure notes included within the Technical Annex (Annex B) pages 100-109.

The amounts received in respect of council tax income from the six Cumbrian District Councils are detailed in note 27.

The Commissioner has included within the Comprehensive Income and Expenditure Statement his respective share of costs in relation to collaborative arrangements with other forces/councils. In particular these include:

- The PCC for Cheshire – North West Underwater Search Unit, Northwest Regional Firearms Policy, Northwest Strategic Automatic Number Plate Recognition (ANPR), Regional Emergency Services Network (ESN) and the Regional Specialist Capability Programme.
- The PCC for Merseyside – Regional Crime Unit, Regional Intelligence Unit, Prison Intelligence Unit, Technical Support Unit, Protected Persons Unit, Government Agency Intelligence Network (GAIN), Confiscation Unit, Regional Assets Recovery Team, Operational Security (OPSEY), Cyber Crime, Regional Fraud Team.
- The PCC for Lancashire – Learning & Development Collaboration.
- Cumbria County Council – Shared Internal Audit Service.

## 19 Members Allowances and Expenses

The Code of Practice on Local Authority Accounting requires the disclosure of the total amount of members allowances paid in the year. This is set out in the table below together with a comparative figure for the previous year.

Members Allowances		PCC/Group 2014/15 £000s	PCC/Group 2015/16 £000s
	Basic Allowance	9	14
	Travel and Subsistence	8	6
		<b>17</b>	<b>20</b>

The above table includes for 2015/16 the 4 appointed members of the Joint Audit and Standards Committee, the 4 appointed members of the Ethics and Integrity Panel together with travel allowances payable to independent custody visitors. The figures for 2014/15 only include a single meeting of the Ethics and Integrity Panel which was established in March 2015. The table above includes the total costs of members and these apply jointly between the Commissioner and the Constabulary.

A full disclosure of allowances and expenses paid to individual members can be found on the Police and Crime Commissioners website at: <http://www.cumbria-pcc.gov.uk/governance-transparency/allowances.aspx>

## 20 Disclosure of Remuneration for Senior Employees

The following tables sets out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is less than £150,000 but more than £50,000 per year. The first table provides the information for 2015/16 and the second provides comparatives for 2014/15.



# Notes to the Accounts

The table below gives the PCC and Group information for 2015/16 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Salary Sacrifice	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
<b>Shown in Single Entity Statements of Police &amp; Crime Commissioner</b>									
Police & Crime Commissioner		65	2	0	0	0	67	8	75
PCC Chief Finance Officer		69	0	0	0	0	69	9	78
PCC Chief Executive		91	1	0	1	0	93	11	104
<b>Total PCC</b>		<b>225</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>229</b>	<b>28</b>	<b>257</b>
<b>Shown in Single Entity Statements of Chief Constable</b>									
Chief Constable		138	7	0	0	3	148	15	163
Deputy Chief Constable	1	118	7	0	0	2	127	24	151
Assistant Chief Constable	2	88	6	0	0	2	96	18	114
Temporary Assistant Chief Constable (A)	3	85	3	0	2	0	90	18	108
Temporary Assistant Chief Constable (B)	4	84	1	0	1	3	89	17	106
Chief Superintendent		83	1	0	1	3	88	17	105
Temp. Chief Superintendent (A)	5	77	5	0	1	3	86	16	102
Temp. Chief Superintendent (B)	6	70	2	(1)	1	3	75	15	90
Director of Legal Services		73	1	0	1	0	75	9	84
Director of Corporate Support		81	0	(1)	0	0	80	10	90
Director of Corporate Improvement		79	0	0	0	0	79	10	89
CC Chief Finance Officer		66	0	0	0	0	66	8	74
Chief Inspector PSD (A)	7	57	2	0	1	4	64	12	76
Chief Inspector PSD (B)	8	54	2	0	1	2	59	13	72
<b>Total CC</b>		<b>1,153</b>	<b>37</b>	<b>(2)</b>	<b>8</b>	<b>25</b>	<b>1,222</b>	<b>202</b>	<b>1,424</b>
<b>Total Group</b>		<b>1,378</b>	<b>40</b>	<b>(2)</b>	<b>9</b>	<b>25</b>	<b>1,451</b>	<b>230</b>	<b>1,681</b>

## Notes:

- 1 The DCC was promoted to temporary CC for the period 1/12/15 to 29/2/16.
- 2 The ACC was appointed to the role of ACC on 1/6/15 and was temporarily promoted to DCC for the period 1/12/15 to 29/2/16.
- 3 Temporary ACC (A) was promoted to ACC for the period 1/8/14 to 31/5/15, reverted to Chief Superintendent (TP) 1/6/15 to 20/3/16 and then Chief Superintendent (PSD) 21/3/16.
- 4 Temporary ACC (B) was Temporarily promoted to ACC for the period 1/12/15 to 29/2/16, then reverted to Chief Superintendent Operational Benefits Delivery.
- 5 Temporary Chief Superintendent (A) was promoted Temporary Chief Superintendent Crime Command w.e.f. 14/12/15.
- 6 Temporary Chief Superintendent (B) was appointed to Temporary Chief Superintendent for the period 1/2/15 to 31/5/15.
- 7 Chief Inspector PSD (A) ceased the role of Head of Professional Standards Department (PSD) on the 17/5/15 and was replaced by Chief Inspector PSD (B).
- 8 Chief Inspector PSD (B) became Head of Professional Standards Department w.e.f. 18/5/15.



# Notes to the Accounts

The comparative PCC and Group figures for 2014/15 in £000s, are set out in the table below:

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Termination Pay & Compensation for Loss of Office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
<b>Shown in Single Entity Statements of Police &amp; Crime Commissioner</b>									
Police & Crime Commissioner		65	2	0	0	0	67	8	75
PCC Chief Finance Officer		75	0	0	0	0	75	10	85
PCC Chief Executive		88	1	0	2	0	91	11	102
<b>Total PCC</b>		<b>228</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>233</b>	<b>29</b>	<b>262</b>
<b>Shown in Single Entity Statements of Chief Constable</b>									
Chief Constable	1	128	7	0	0	3	138	31	169
Deputy Chief Constable	2	110	8	0	0	1	119	27	146
Temporary Assistant Chief Constable	3	93	5	0	0	0	98	20	118
Chief Superintendent (A)	4	78	1	0	1	3	83	19	102
Chief Superintendent (B)	5	10	0	10	0	3	23	2	25
Temp. Chief Superintendent (C)	6	77	2	0	1	3	83	19	102
Temp. Chief Superintendent (D)	7	66	2	0	1	3	72	16	88
Superintendent	8	75	2	0	1	3	81	18	99
Chief Inspector	9	56	2	0	1	4	63	13	76
CC Chief Finance Officer		71	0	0	0	0	71	9	80
Director of Corporate Support		79	0	0	0	0	79	10	89
Director of Corporate Improvement		71	1	0	0	0	72	9	81
Director of Legal Services		71	1	0	2	0	74	9	83
<b>Total CC</b>		<b>985</b>	<b>31</b>	<b>10</b>	<b>7</b>	<b>23</b>	<b>1,056</b>	<b>202</b>	<b>1,258</b>
<b>Total Group</b>		<b>1,213</b>	<b>34</b>	<b>10</b>	<b>9</b>	<b>23</b>	<b>1,289</b>	<b>231</b>	<b>1,520</b>

Notes:

- 1 The Chief Constable was appointed on 1/8/14 (prior to this he was Deputy Chief Constable)
- 2 The Deputy Chief Constable was promoted on 1/8/14 (prior to this she was Assistant Chief Constable).
- 3 Temporary Assistant Chief Constable was promoted to ACC on 1/8/14
- 4 Chief Superintendent (A) became Chief Superintendent TPA on 1/8/14 & was promoted to Detective Chief Superintendent Crime Command on 1/2/15
- 5 Chief Superintendent (B) retired on the 12/5/14
- 6 Temporary Chief Superintendent (C) covered position of Temporary Chief Superintendent Crime from 12/5/14 to 31/1/15.
- 7 Temporary Chief Superintendent (D) was promoted on 1/2/15 to temporary Chief Superintendent (TPA).
- 8 The Superintendent Professional Standards post was removed from 12/5/14
- 9 The Chief Inspector become Head of Professional Standards on the 12/05/14 following the removal of the Superintendent post.

## 21 Employee Remuneration

The Code of Practice on Local Authority Accounting requires the disclosure of the number of employees whose remuneration, excluding pension's contributions, exceeded £50,000 and senior police officers (defined as those holding a rank above that of superintendent). This is set out in the table below in bands of £5,000:

Remuneration Band	2014/15				2015/16			
	PCC Police Staff	CC Police Staff	CC Snr Police Officers	Group Total	PCC Police Staff	CC Police Staff	CC Snr Police Officers	Group Total
£50,000 to £54,999	0	2	0	2	0	2	0	2
£55,000 to £59,999	1	3	0	4	2	2	0	4
£60,000 to £64,999	0	0	0	0	0	1	0	1
£65,000 to £69,999	1	0	1	2	2	1	0	3
£70,000 to £74,999	1	3	0	4	0	1	0	1
£75,000 to £79,999	0	1	1	2	0	1	0	1
£80,000 to £84,999	0	0	1	1	0	1	1	2
£85,000 to £89,999	1	0	0	1	0	0	3	3
£90,000 to £94,999	0	0	1	1	1	0	1	2
£95,000 to £99,999	0	0	0	0	0	0	0	0
£100,000 to £104,999	0	0	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	0	0	0	0
£110,000 to £114,999	0	0	1	1	0	0	0	0
£115,000 to £119,999	0	0	0	0	0	0	0	0
£120,000 to £124,999	0	0	0	0	0	0	1	1
£125,000 to £129,999	0	0	0	0	0	0	0	0
£130,000 to £134,999	0	0	1	1	0	0	0	0
£140,000 to £144,999	0	0	0	0	0	0	1	1
<b>Total</b>	<b>4</b>	<b>9</b>	<b>6</b>	<b>19</b>	<b>5</b>	<b>9</b>	<b>7</b>	<b>21</b>

In 2015/16 the remuneration for 65 Police Officers (74 in 2014/15) superintendent rank and below (who are not required to be disclosed in the above note under regulations) exceeded £50,000.

The table above includes those employees and senior police officers that are also required to be disclosed on a more detailed individual basis. Please see note 20 for more information.

## 22 Exit Packages

The numbers of exit packages with total cost per band and a total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	PCC/Group		PCC/Group		PCC/Group		PCC/Group	
	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by cost band		Total cost of exit packages in each band	
	2014/15 Headcount	2015/16 Headcount	2014/15 Headcount	2015/16 Headcount	2014/15 Headcount	2015/16 Headcount	2014/15 £000's	2015/16 £000's
£0-£20,000	2	8	0	32	2	40	23	447
£20,001 - £40,000	2	1	1	21	3	22	102	607
£40,001 - £60,000	0	0	0	9	0	9	0	440
£60,001 - £80,000	0	1	0	4	0	5	0	331
£80,001 - £100,000	0	0	0	2	0	2	0	168
£100,001 - £150,000	0	1	0	1	0	2	0	203
<b>Total</b>	<b>4</b>	<b>11</b>	<b>1</b>	<b>69</b>	<b>5</b>	<b>80</b>	<b>125</b>	<b>2,196</b>

## 23 Termination Payments

During 2015/16 the contracts of a number of employees were terminated incurring termination payments amounting to £1,641k (£675k in 2014/15). As this amount is significant in terms of the 2015/16 accounts the amount has been shown as a separate item on the face of the Comprehensive Income and Expenditure Statement (page 26-27).

This amount is made up exit packages paid and accrued in 2015/16.

The exit packages paid in 2015/16 amount to £2,196k (£125k in 2014/15). The exit packages can be further split into compensation for loss of employment £1,242k (£125k in 2014/15) and enhanced pension benefits £954k (£0k in 2014/15). The redundancies are as a result of the Constabulary's change programme. The Exit Packages note above (note 22) provides details of the number and total cost of exit packages per band and include those exit packages paid in 2015/16 and those agreed for individuals in 2015/16 but paid in 2016/17 for which an [accrual](#) was made in the 2015/16 accounts.

In 2014/15 a further amount of £555k was set aside in a provision to pay termination costs as a result of decisions made in principle in 2014/15 but where there was some uncertainty over the individual staff or timing of the termination but for which a reasonable estimate could be made of amount of the probable obligation. During 2015/16 payments have been made to individuals up to the full amount of this provision. At the end of 2015/16 there has been no such decisions made to require a similar provision to be made in the 2015/16 accounts. For 2015/16 the total exit packages paid of £2,196k is divided between those arising in the year and charged to the revenue budget £1,641k plus those charged directly against the provision established in 2014/15 £555k.

## 24 Audit Fees

In 2015/16 the Commissioner and Chief Constable incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	Group 2014/15 £000s	Group 2015/16 £000s
<b>Amounts Relating to The Police and Crime Commissioner</b>		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	40	30
Rebate from Audit Commission in year.	(4)	0
	<b>36</b>	<b>30</b>
<b>Amounts Relating to The Chief Constable</b>		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	20	15
Rebate from Audit Commission in year.	(2)	0
	<b>18</b>	<b>15</b>
<b>Other Services</b>		
Fees payable in respect of <i>other services</i> provided by Grant Thornton during the year.	7	3
<b>Total External Audit Fees for Year</b>	<b>61</b>	<b>48</b>

The table above includes fees paid in relation to 'other services'. These fees payable in 2015/16 related to an annual contract (starting in 2014/15) for the provision of specialist VAT and Tax advice. The fee for 2014/15 also included a one off piece of consultancy work undertaken on payroll dispensations. These fees relate to both the Commissioner and the Constabulary.

## 25 Grant Income

The Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16.

Grant Income	PCC/Group	
	2014/15 £000s	2015/16 £000s
<b>Credited to Taxation and Non Specific Grant Income</b>		
Capital grants and contributions - General	866	709
Capital grants and contributions - HO Innovation	521	607
Formula Funding (Home Office)	32,340	30,999
Council Tax Freeze & Local Council Tax Support Support (Home Office)	4,850	4,850
Home Office Police Grant	30,769	28,886
PFI Grant (Home Office)	688	688
Police Pension Grant (Home Office)	15,169	18,371
<b>TOTAL</b>	<b>85,203</b>	<b>85,110</b>
<b>Credited to Services</b>		
<i><b>Grants and Contributions - Central Government</b></i>		
ACPO Special Operations (ACPO)	10	0
Criminal Records Bureau (Home Office)	239	258
Dedicated Security Posts (Home Office)	176	162
Innovation Fund (Home Office)	0	372
Victims Services (Ministry of Justice)	334	557
Collaborations (Various)	161	176
	<b>920</b>	<b>1,525</b>
<i><b>Grants and Contributions - Other</b></i>		
NHS Funding (SASS)	0	114
Local Partnership	41	141
Youth Offending Team (Cumbria CC)	99	101
	<b>140</b>	<b>356</b>
<b>TOTAL</b>	<b>1,060</b>	<b>1,881</b>

## 26 Grants Receipts in Advance

During 2015/16 the Commissioner received a grant of £3m from the Nuclear Decommissioning Authority by way of contribution to the construction of a Strategic Command Centre at Carleton Hall in Penrith. It is envisaged that this grant will be drawn down during the construction of the building during 2017/18 and once grant conditions are met.

## 27 Income from Council Tax

*Precept- The demands made by the Police and Crime Commissioner on the district councils who are the billing authority in relation to the collection of council tax.*

The income from Council Tax for 2015/16 is received as precept from the six district councils as set out below:

Council Tax Income	Precept Paid 2015/16 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	6,252	130	6,382
Barrow Borough Council	3,980	(34)	3,946
Carlisle City Council	6,752	92	6,844
Copeland Borough Council	4,300	19	4,319
Eden District Council	4,247	(55)	4,192
South Lakeland District Council	9,456	4	9,460
	<b>34,987</b>	<b>156</b>	<b>35,143</b>

The comparative information for 2014/15 is as follows:

Council Tax Income	Precept Paid 2014/15 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	6,067	26	6,093
Barrow Borough Council	3,748	68	3,816
Carlisle City Council	6,524	18	6,542
Copeland Borough Council	4,122	0	4,122
Eden District Council	4,020	64	4,084
South Lakeland District Council	9,124	34	9,158
	<b>33,605</b>	<b>210</b>	<b>33,815</b>



## 28 Contingent Liabilities

### *Injury pensions*

A case regarding the payment of injury pensions to a retired police officer has highlighted a conflict between police (injury benefits) regulations and social security legislation. The implication of the judgement is that police injury benefits should no longer be reduced by entitlement to social security benefits (employment support allowance). A small number of Cumbria Constabulary Officers are affected by the judgement, however the benefit entitlement must be determined on an individual case by case basis and information is awaited from the Department for Work and Pensions and HMRC to enable the calculation to be undertaken. This matter is therefore treated as a contingent liability in the 2015/16 statement of accounts.

### *Appeal Court Judgement*

In February 2015 the Court of Appeal made a judgement in respect of police officers who took telephone calls outside their normal hours of duty. The court ruled that police officers should be awarded overtime in respect of these calls. There are a number of officers within the Constabulary that could potentially make a claim for overtime as a result of this ruling. At this stage it is not possible to estimate the financial impact of such claims and the matter has been treated as a contingent liability in the 2015/16 statement of accounts.



## 29 Capital Expenditure and Capital Financing

*Capital expenditure can be defined as expenditure on the acquisition, construction or enhancement of non-current assets which adds to and not merely maintains the value of a non-current asset.*

The commissioner approves on an annual basis a capital programme for the Constabulary. The capital programme is fully funded for a four year period to tie in with the medium term financial forecast. The capital programme covers the routine cyclical replacement of ICT equipment and vehicles and also includes specific one off projects. Due to the cyclical nature of the majority of the capital programme, the programme is also modelled at a high level over a 10 year longer term horizon. The capital programme for 2015/16 was approved by the Commissioner at his Executive Board Meeting on 24 February 2015. The capital strategy report can be found on the Commissioner's website at: <http://www.cumbria-pcc.gov.uk/media/32832/PART%201%20COMBINED.pdf>

The capital programme for 2015/16 included a major estates project to provide a new TPA HQ at Barrow, the project completed and the building become operational in September 2015. The capital outturn report for 2015/16 was approved by the Commissioner on 3 May 2016 and can also be found on the Commissioner's website at: [www.cumbria-pcc.gov.uk/governance-transparency/budget-finance.aspx](http://www.cumbria-pcc.gov.uk/governance-transparency/budget-finance.aspx).

The total amount of [capital expenditure](#) incurred in the year is shown in the table below.

Capital Expenditure	PCC/Group	
	2014/15 £000s	2015/16 £000s
<b>Technology Schemes</b>		
Case & Custody System	354	420
Computer Hardware & Infrastructure	868	2,489
Mobility & Digitisation	468	292
Wide Area Network (WAN)	293	0
Other Technology Schemes	127	141
	<b>2,110</b>	<b>3,342</b>
<b>Vehicles Replacement Scheme</b>	<b>2,163</b>	<b>578</b>
<b>Building Schemes</b>		
South Estate - Barrow	3,864	3,919
Other Building Schemes	349	324
	<b>4,213</b>	<b>4,243</b>
<b>Equipment Schemes</b>		
County Wide CCTV System	595	487
Other Equipment Schemes	229	252
	<b>824</b>	<b>739</b>
<b>Intangible Assets</b>	<b>149</b>	<b>97</b>
<b>Total Capital Expenditure</b>	<b>9,459</b>	<b>8,999</b>

## 29.a Capital Financing

The table below illustrates the resources used to finance [capital expenditure](#). Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Commissioner, the expenditure results in an increase in the [Capital Financing Requirement](#) (CFR), a measure of the capital expenditure incurred historically by the Commissioner that has yet to be financed. The CFR is analysed below:

Capital Financing Requirement	PCC/Group	
	2014/15 £000s	2015/16 £000s
Opening Capital Financing Requirement	17,357	17,037
<i>Capital investment</i>		
Property, Plant and Equipment	9,310	8,902
Intangible Assets	149	97
<i>Sources of Finance</i>		
Capital receipts	(1,067)	0
Government grants and other contributions	(521)	(607)
Sums set aside from revenue:		
- Direct revenue contributions	(7,829)	(6,388)
- Minimum revenue provision	(362)	(367)
<b>Closing Capital Financing Requirement</b>	<b>17,037</b>	<b>18,674</b>
<i>Explanation of Movements in Year</i>		
Increase in underlying need to borrow (unsupported by government financial assistance)	(320)	1,637
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(320)</b>	<b>1,637</b>

## 30 Capital Commitments

The Commissioner has outstanding contractual commitments amounting to £1,194k in respect of a number of schemes from the 2015/16 capital programme (£4,768k in 2014/15).

Outstanding Capital Commitments	PCC/Group As at 31 March	
	2015 £000s	2016 £000s
South Estate - Barrow	3,825	13
South Estate - Kendal	0	141
Vehicle Replacement	277	19
Case and Custody	321	199
CCTV	330	0
HQ Electrical Infrastructure	0	416
SCC Build/Carpark	0	178
Converged Infrastructure	0	200
Other Capital Commitments	15	28
<b>Total</b>	<b>4,768</b>	<b>1,194</b>

## 31 Minimum Revenue Provision

Regulations 27 and 28 of the Capital Financing and Accounting Regulations 2003 require the Commissioner to make a provision from revenue for the repayment of any undischarged credit liabilities. This is referred to as the [Minimum Revenue Provision](#) (MRP). Additional voluntary contributions are permitted, which have the effect of reducing the Commissioner's [Capital Financing Requirement](#).

In line with the Capital Finance and Accounting regulations a Statement of MRP Policy was approved in February 2015 as part of the Treasury Management Strategy Statement. The policy states that MRP will be calculated using the regulatory method for debt incurred prior to 1 April 2008 and on the asset life basis for debt incurred after this date. In respect of PFI assets brought onto the balance sheet under the 2009 SORP, the MRP provision will match the annual principal repayment for the associated deferred liability.

The Minimum Revenue Provision charged for the year 2015/16 (and comparatives for 2014/15) is made up as follows:

Minimum Revenue Provision		PCC/Group 2014/15 £000s	PCC/Group 2015/16 £000s
<b>Minimum Revenue Provisions (MRP)</b>			
Core MRP		276	270
PFI MRP		86	97
<b>Total MRP for Year</b>		<b>362</b>	<b>367</b>

## 32 Accounting Standards that have been Issued but have not yet been Adopted

For 2015/16 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 19 *Employment Benefits* (Defined Benefit Plans: Employee Contribution);
- Annual Improvement to IFRSs 2010-2012 Cycle:
  - IFRS 3 Accounting for contingent consideration in a business combination;
  - IFRS 8 Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets;
  - IFRS 13 Short-term receivables and payables;
  - IAS 16 revaluation method – proportionate restatement of accumulated depreciation;
  - IAS24 key management personnel
  - IAS 38 revaluation method – proportionate restatement of accumulated amortisation
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations);
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation) ;
- Annual Improvement to IFRSs 2012-2014 Cycle;
  - IFRS 5 Changes in methods of disposal;
  - IFRS 7 servicing contracts;

- IAS 19 Discount rate: regional market issue;
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative);
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Introduction of the new Expenditure and Funding Analysis;
- The changes to the format of the Fund Account and the Net Assets Statement.

In the Financial Statements for 2016/17, the effect of the changes will be assessed and where necessary, the comparative figures restated.



# Police Officer Pension Fund Account

## Police Officer Pension Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2015/16 financial year together with comparative information for 2014/15.

Police Officer Pension Fund Account		Group 2014/15 £000s	Group 2015/16 £000s
<b>Contributions Receivable</b>			
Employer			
- Contributions (21.3% of Pensionable Pay in 2015/16, 24.2% in 2014/15)		(9,794)	(8,286)
Officers' Contributions			
- 1987 Scheme Member Contributions (see narrative for rates)		(4,447)	(2,668)
- 2006 Scheme Member Contributions (see narrative for rates)		(1,068)	(93)
- 2015 Scheme Member Contributions (see narrative for rates)		0	(2,544)
		<b>(15,309)</b>	<b>(13,591)</b>
Transferees in from Other Schemes		(80)	(322)
Capital Equivalent charge for ill-health schemes		(364)	(132)
		<b>(444)</b>	<b>(454)</b>
<b>Benefits Payable</b>			
Recurrent Pensions		24,015	25,058
Commutations and Lump Sums		6,477	8,440
Other (Scheme Pays)		11	0
		<b>30,503</b>	<b>33,498</b>
<b>Payments to and on Account of Leavers</b>			
Refund of Contributions		3	44
Transfer out to other schemes		416	2
		<b>419</b>	<b>46</b>
<b>Net Amount Payable for the Year</b>		<b>15,169</b>	<b>19,499</b>
Additional Contribution from the Police & Crime Commissioner		(15,169)	(18,371)
Additional Funding Payable by the Police and Crime Commissioner (2.9%)		0	(1,128)
<b>Net Amount Payable (Receivable) for the Year</b>		<b>0</b>	<b>0</b>

## Net Assets Statement

This statement shows the net assets and liabilities of the scheme as at 31 March 2016.

Pension Fund Net Assets & liabilities		Group 2014/15 £000s	Group 2015/16 £000s
<b>Current Assets</b>			
Pensions Benefits paid in advance		2,104	2,173
<b>Current Liabilities</b>			
Amount due to the Police & Crime Commissioner		(2,104)	(2,173)
		<b>0</b>	<b>0</b>



# Notes to the Police Officer Pension Fund Account

## Accounting Policies

The Police Pension Fund Accounts have been prepared in accordance with the requirements of the Police Pension Fund Regulations 2015 (SI 2015 No 445). The Pensions Fund Accounts are administered by the Chief Constable and have been prepared on an accruals basis.

## Operation of Police Pensions Schemes

Up to 31 March 2015 the Chief Constable operated two Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the 2006 scheme and the previous 1987 scheme was closed to new members. Officers who were members of the 1987 scheme were allowed by regulation to become members of the 2006 scheme if they wished. Members' contribution rates for 2015/16 were between 11% and 12.75% (11%-12.75% in 2014/15) for the 2006 scheme and between 14.25% and 15.05% (14.25%-15.05% in 2014/15) for the 1987 scheme. The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 28). Detailed disclosure notes regarding the Police Pension schemes can be found in the Technical Annex to the Statement of Accounts (Annex B) Section B (pages 100-109).

From 1 April 2015, a new pension scheme has been introduced for Police Officers. The new scheme is based on career average revalued earnings (CARE). All Police Officers recruited from 1 April 2015 will automatically become members of the new scheme and the two previous schemes (1987 and 2006) have been closed to new members from that date. Members of the two older police pension schemes will either be fully protected in those schemes, transfer to the new 2015 scheme on 1 April 2015, or will transfer on different tapering dates in the future subject to individual circumstances around age and length of service remaining. The members' contribution rates for the new scheme ranged between 12.44% and 13.78% in 2015/16.

## Funding of Police Pension Schemes

In 2006/07 a new arrangement was established to fund Police Pensions. This revised arrangement is for both new and existing police officer schemes, but has no effect on the benefit structures of either scheme. The purpose of the change is to smooth fluctuations in costs that would previously have been charged to the Chief Constable's Comprehensive Income and Expenditure Statement on a 'pay as you go basis' and to more clearly show the effect of the liability as opposed to current pension payments. Under the revised arrangements the liability for payment of police pensions is removed from the Chief Constable and replaced with an employers' contribution, currently set at 21.3% (24.2% in 2014/15) of pensionable pay, which, along with the employee contributions and any transfer values, is paid into the pensions account. In addition the Constabulary is required to make an additional contribution to the police pension fund account which equates to 2.9% of pensionable pay to fund the difference between the pension fund deficit and the amount of top up grant received from the Home Office. The employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to periodic revaluation by the Government Actuary's Department. Pensions are then paid from this account. The pensions account is balanced to nil annually, with any shortfall met by a top up from the Commissioner, or vice versa. However, the Home Office indemnify the Commissioner against any financial liability arising from a deficit on the Pension Account by providing a grant to the Commissioner equal to the Commissioner's top up. Similarly, any surplus on the Pension Account is ultimately repayable to the Home Office.

# Glossary of Terms

## Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not when money is paid or received.

## ACPO

The Association of Chief Police Officers.

## Actuarial Valuation

A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, for example on behalf of a pension fund.

## Agency Costs

Services which are performed by or for another authority or public body, where the agent is reimbursed for the cost of the work done.

## Amortisation/Amortised Cost

The practice of reducing the value of assets to reflect their reduced worth over time. The term means the same as depreciation, though in practice amortisation tends to be used for the write-off of intangible assets, such as computer software.

## Budget

A statement of the Police and Crime Commissioner's plans in financial terms. A budget is prepared and approved by the Police and Crime Commissioner before the start of each financial year and is used to monitor actual expenditure throughout the year.

## Capital Adjustment Account

The CAA records the balance of resources set aside to finance capital expenditure (i.e. Capital Receipts, Minimum Revenue Provision (MRP), Direct Revenue Contributions (DRC) and Deferred Grants Account (DGA)) and also the consumption of resources associated with the historical cost of acquiring, creating or enhancing non-current assets over the life of those assets (i.e. depreciation/impairment).

## Capital Expenditure

As defined in section 16 of the Local Government Act 2003 and regulation 25 of the Capital Finance and Accounting Regulations 2003, but broadly expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

## Capital Financing Requirement (CFR)

The CFR is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any point in time.

## Capital Receipt

Monies received from the sale of capital assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules prescribed by Central Government. Capital Receipts cannot be used to finance revenue expenditure, with the exception that up to 4% of sale proceeds may be transferred to the General Fund to finance costs directly associated with the disposal of the asset.

## Cash and Cash Equivalents

Cash is represented by cash in hand and in bank accounts. Cash Equivalents include demand deposits with financial institutions which are highly liquid in that they are repayable without penalty on notice of not more than 24 hours.

## CC

The Chief Constable for Cumbria Constabulary.

## CC CFO

The Chief Constable's Chief Finance Officer.

## Chief Constable

The Chief Constable for Cumbria Constabulary.

## CIPFA

The Chartered Institute of Public Finance and Accountancy. The main professional body for accountants working in the public services.

## Commissioner

The Police and Crime Commissioner for Cumbria.

## Componentisation

Identifying and depreciating the components of an asset separately if they have differing patterns of benefits relative to the total cost of the asset.

## Contingency

A sum set aside to meet unforeseen expenditure.

## Creditors

Amounts owed by the Police and Crime Commissioner for goods and services provided which had not been paid for at the end of the financial year.

# Glossary of Terms

## Debtors

Amounts owing to the Police and Crime Commissioner but not received at the end of the financial year.

## Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

## De-minimis

In general the term means lacking in significance or importance. In terms of the accounts, a de-minimis limit is set for inclusion of projects in the capital programme, below this limit projects would be charged to revenue budgets.

## Direct Revenue Contributions (DRC)

Resources provided from the Police and Crime Commissioner's revenue budget to finance the cost of capital projects.

## Earmarked Reserves

Those elements of the Police Fund that have been set aside, "earmarked", for specific purposes.

## Fair Value

In accounting and economics, fair value is a rational and unbiased estimate of the potential market price of a good, service, or asset.

## Hedge Funds

A hedge fund is a pooled investment vehicle administered by a professional management firm, and often structured as a limited partnership/ limited liability company. Hedge funds invest in a diverse range of markets and use a wide variety of investment styles and financial instruments.

## Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

## HMIC

Her Majesty's Inspectorate of Constabulary who are a government agency responsible for monitoring the standards and performance of Constabularies.

## Impairment/Impaired

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

## Investment Property

Property (land or building) held solely to earn rentals or for capital appreciation or both, rather than for operational reasons such as the provision of services.

## Leasing

A method of financing expenditure over a period of time. There are two main types of lease:

- Finance Lease - where the risks of ownership are transferred to the lessee and where the assets are recorded in the Police and Crime Commissioner's balance sheet at a current valuation.
- Operating Lease - where the risks of ownership stay with the leasing company and the annual rental charges are made via the Revenue Account.

## Minimum Revenue Provision (MRP)

The minimum amount which must be set aside in the Revenue Account each year as a provision for credit liabilities.

## Non-current Assets

An asset, which will yield a benefit to the Police and Crime Commissioner for a period of more than one year.

## PCC

The Police and Crime Commissioner for Cumbria.

## PCC CFO

The Police and Crime Commissioner's Chief Finance Officer.

## Pension actuarial gains and losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with actuarial assumptions made for the last valuation (experience gains and losses) or
- the actuarial assumptions have changed.

## Pension – current service costs

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

# Glossary of Terms

## **Pension – defined benefit scheme**

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

## **Pension assets – expected rate of return**

For a funded defined benefits 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.

## **Pension – interest costs**

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.

## **Pension - 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 Objective Analysis (POA)**

The Police Objective Analysis (POA) is a model developed by the Home Office for analysing individual policing areas expenditure. It has been developed to support the need for understandable, accurate and consistent costing information to allow internal and inter-force comparisons.

## **Precept**

The demands made by the Police and Crime Commissioner on the district councils who are the billing authority in relation to the collection of council tax.

## **Private Equity Funds**

A private equity fund is a collective investment scheme used for making investments in various equity (and to a lesser extent debt) securities according to one of the investment strategies associated with private equity.

## **Provision**

An amount set aside to provide for a liability which is likely to be incurred, although the amount and date of that liability are uncertain.

## **Public Works Loan Board (PWLB)**

A Government agency which provides longer term loans to Local Authorities at interest rates which are only slightly higher than those at which the government itself can borrow.

## **Reserves**

An amount set aside for a specific purpose and carried forward to meet expenditure in future years. The Police Fund represents accumulated balances which may be used to support future spending.

## **Revaluation Reserve**

The revaluation reserve records the unrealised net gain from revaluation of non-current assets made after 1 April 2007. The balance is made up of individual credit balances associated with specific assets and will be equal to the difference between the current value net book value (NBV) and the historic cost NBV for all assets.

## **SERCOP**

The CIPFA Service Reporting Code of Practice. It was introduced as part of the Best Value Regime to bring about more consistent accounting treatment of costs and to facilitate more meaningful financial comparisons between Authorities.

## **The Commissioner**

The Police and Crime Commissioner for Cumbria.

## **TPA**

Territorial Policing Area.

# Annex A - Statement of Accounting Policies

## 1 General Principles

The Statement of Accounts summarises the financial transactions for the 2015/16 financial year and the financial position at the 31 March 2016. The Police and Crime Commissioner and [Chief Constable](#) are each required to prepare an annual Statement of Accounts (single entity) in accordance with the Accounts and Audit Regulations 2015 which stipulate that the statements be prepared in accordance with proper accounting practices. Those practices primarily comprise the [CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 \(the Code\)](#) and the Service Reporting Code of Practice 2015/16 [SERCOP](#), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The [Commissioner](#) is responsible for combining the single entity statements to form a set of consolidated group accounts.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of [non-current assets](#).

**Historic Cost** – the amount the organisation originally paid for an item.

## 2 Accruals of Income and Expenditure

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

- Revenue from the provision of services is recognised when the percentage completion of the transaction can be reliably measured and that it is probable that economic benefits or service potential associated with the transaction will flow.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories (stock) on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of [debtors](#) is written down and a charge made to revenue for the income that might not be collected.
- An [accrual](#) is made in respect of employee benefits payable during employment (see accounting policy 7 below for further details).
- For the financial year 2015/16 there has been a change in accounting policy, previously payments made to employees in April each year in respect of overtime, allowances and expenses were accrued into the previous financial year as they related to expense incurred during that year. From 2015/16 this accrual will no longer be made in order to facilitate the earlier closure of accounts. The impact on the accounts for 2015/16 is not material. Future years will not be impacted as each financial year will contain 12 months of payments. At each year end consideration will be given to any particular circumstances occurring in March which would give rise to a material mis-statement if those expenses were not accrued.

# Annex A - Statement of Accounting Policies

## Accrual Example 1

An electricity invoice received at the start of April will usually relate to the previous quarters electricity consumption (January to March) and as such this expenditure should be shown in the financial statements for the previous financial year. The invoice will actually be paid in the new year but the costs are charged to the previous year by way of an accrual.

## Accrual Example 2

The PCC/Constabulary insurance premiums are due on 1 November each year. The premium paid covers five months of the current financial year and seven months of the next. A prepayment is made in the accounts to move the cost of the seven months into the correct year.

### 3 Cash and Cash Equivalents

Cash is represented by cash in hand, petty cash and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. [Cash and cash equivalents](#) may also include overdrawn balances at the bank where they are an integral part of cash management. Generally, cash and cash equivalents will comprise, cash in hand, bank account balances, overnight deposits and deposits with Money Market Funds which are repayable on demand without penalty or loss of interest.

In accordance with the [Commissioner's](#) funding arrangement with the [Chief Constable](#), the Chief Constable is funded on a cash basis, accordingly all cash and cash equivalent balances are recorded on the balance sheet of the Commissioner.

In the Cash Flow Statement, [cash and cash equivalents](#) are shown net of bank overdrafts that are repayable on demand or form an integral part of cash management.

### 4 Exceptional Items

When exceptional items of income and expense are **material**, their nature and value is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of financial performance.

**Materiality** – information is material if omitting it or misstating it could influence decisions that users make on the basis of the financial information about a specific reporting organisation. In other words, materiality is an organisation specific aspect of relevance based on the *nature or magnitude or both*, of the items to which the information relates in the context of the individual organisations financial statements.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

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



# Annex A - Statement of Accounting Policies

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.

For 2015/16 there has been a change in accounting estimate in relation to how the amount is calculated in respect of holiday entitlements, time off in lieu, flexi leave and rest days in lieu earned by employees but not taken before the year-end (as referenced in accounting policy section 7.1 below). Previously, the amounts for police staff whose duties were not recorded on the duties management system (DMS) were calculated from a manual data gathering exercise. This part of the calculation accounts for approximately 14% of the overall figure. For the 2015/16 accounts, the figure has been calculated as a percentage of the sum calculated for the larger proportion of police officers and staff whose duties are recorded on the DMS system in order to facilitate the earlier closure of accounts.

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

## 6 Charges to Revenue for Non-Current Assets

The cost of services are debited with the following amounts to record the cost of holding [non-current assets](#) during the year:

- [Depreciation](#) attributable to the assets used by the relevant services.
- Revaluation and [impairment](#) losses on assets used by the services where there are no accumulated gains in the [Revaluation Reserve](#) against which the losses can be written off.
- [Amortisation](#) of non-current assets attributable to the services.

Council Tax is not required to be raised to fund depreciation, revaluation and impairment losses or amortisations. However, an annual contribution from revenue is required towards the reduction in the overall borrowing requirement equal to an amount calculated on a prudent basis and determined in accordance with statutory guidance. This contribution is known as MRP ([Minimum Revenue Provision](#)). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the Police Fund Balance, by way of an adjusting transaction with the [Capital Adjustment Account](#) in the Movement in Reserves Statement for the difference between the two.

In accordance with the [Commissioner's](#) funding arrangement with the [Chief Constable](#), the Commissioner holds all non-current assets. Accordingly, all depreciation, revaluations and impairments are recorded in the Commissioner's single entity financial statements. However, the Commissioner makes a charge to the Chief Constable for the use of non-current assets, which is equivalent to his share of depreciation.

## 7 Employee Benefits

### 7.1 Employee Benefits payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for functions in the year in which employees render service. An [accrual](#) is made for the cost of holiday entitlements, time off in lieu, flexi leave and rest days 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 made at the salary rate applicable at the balance sheet date. The employee accrual is then reversed out through the movement in reserves statement so that it is not charged against council tax.

# Annex A - Statement of Accounting Policies

## 7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision to terminate an individual's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged (on an [accruals](#) basis) to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the organisation can no longer withdraw the offer of those benefits or when the organisation recognises the costs for restructuring.

Where termination benefits involve enhancement of pensions, statutory provisions require the Police Fund balance be charged with the amount payable to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

## 8 Post-Employment Benefits

### 8.1 General

There are three pension schemes for police officers and a single scheme for police staff. They are all defined benefits schemes.

**Defined Benefit Scheme** – A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contribution payable and the benefits are not directly related to the investments of the scheme. The scheme may be **funded** or **unfunded**.

A **funded** scheme is one where employers and employees pay contributions into a fund. The payments to pensioners are then made from this fund.

An **unfunded** scheme is one where there is no fund with investment assets built up to meet pension liabilities and cash has to be generated (from employee and employer contributions) to meet the actual pension payments as they fall due.

All accounting entries relating to the Comprehensive Income and Expenditure Statement and the subsequent liability for Police Officer pensions are wholly recorded in the single entity statements of the [Chief Constable](#). For Police Staff all Comprehensive Income and Expenditure Statement entries and subsequent balance sheet liabilities in relation to pensions are apportioned between the [Commissioner](#) and the Chief Constable single entity statements by the scheme actuary. All accounting entries for Police Officer pensions and Police Staff pensions are consolidated in the group statements.

The liabilities of each of the pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate (see assumptions set out in the pensions disclosure section of the technical annex (Annex B) on page 108.

# Annex A - Statement of Accounting Policies

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
  - [Current service costs](#) – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
  - [Past service cost](#) – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined pension benefit liability (asset) – i.e. the net interest expense for the organisation – the change during the period in the net defined pension benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined pension benefit obligation at the beginning of the period to the net defined pension benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined pension benefit liability (assets) during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
  - Return on plan assets-excluding amounts included in the net interest on the net defined pension liability (asset) – charged to the pensions reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions (demographic and financial) made at the last actuarial valuation or because the actuaries have updated their assumptions –charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the pension fund**
  - Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

The pensions disclosures section of the Technical Annex (Annex B) provides further information about the pension scheme (see pages 100-109).

## 8.2 Police Officers

As outlined above, the single entity statements of the [Commissioner](#) do not include any accounting entries in relation to the Police Officer Pensions funds as these are wholly recognised by the [Chief Constable](#). The group accounts however include all relevant accounting entries in relation to Police Pension Funds.

# Annex A - Statement of Accounting Policies

There are currently three pension schemes in operation for Police Officers:

- The original Police Pension Scheme (PPS) is governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976.
- The new Police Pensions Scheme (NPPS) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006).
- The 2015 Police Pensions Scheme is a career average revalued earnings (CARE) scheme and is governed by the Police Pensions Scheme 2015 Regulations and related regulations under the Police Pensions Act 1976.

All three schemes are unfunded which means there are no investment assets built up to meet pensions liabilities from pensions or other retirement benefits for former employees.

The funding arrangements for police officers' pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a 'pay as you go' basis with the cost charged to the revenue account. From April 2006 onwards there is an employer's contribution rate set by the Home Office (21.3% of pensionable salary from April 2015 (previously 24.2%)), which is charged to the Comprehensive Income and Expenditure Statement. In addition the Constabulary is required to make an additional contribution to the Police Pension Fund Account which equates to 2.9% of pensionable pay to fund the difference between the contributions calculated with the current and previous rates.

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 72-73). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the Police Fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office.

## 8.3 Police Staff

Police staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS), which is a funded [defined benefit scheme](#). Pensions and other retirement benefits are paid from the fund. Employers and employees make regular contributions into the fund so that the liabilities are paid for evenly over the employment period.

[Actuarial valuations](#) of the fund are undertaken every three years to determine the contribution rates needed to meet its liabilities.

The assets of the LGPS pension fund are included in the Balance Sheet at their [fair value](#):

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The Accounts show the full implementation of IAS19 (Employee Benefits). IAS19 requires organisations to recognise retirement benefits in the Comprehensive Income and Expenditure Statement when they are earned, even though the benefits will not be payable until employees retire. However, as statutory procedures require the charge against Council Tax to be based on the amounts payable to the pension fund during the year, an appropriation is made within the pensions reserve equal to the net change in the pensions liability recognised in the Comprehensive Income and Expenditure Statement. The neutralising entry is made through the Movement in Reserves Statement. The Balance Sheet discloses the net liability in relation to retirement benefits. The figures are based on the Actuary's latest estimate.

## Annex A - Statement of Accounting Policies

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

### 9 Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Statement of Accounts is authorised for issue which have an impact on the financial statements and are treated as follows. Two types of events can be identified:

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

Events taking place after the authorised for issue date are not reflected in the statement of accounts.

### 10 Financial Instruments - Financial Liabilities

Financial Liabilities are initially measured at [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 rate of interest for the instrument. For borrowings this means that the amount presented on the Balance Sheet is the outstanding amount of principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Borrowing is undertaken and accounted for in accordance with the Treasury Management Strategy. Where a payable (i.e. creditor) has a maturity of less than 12 months the [fair value](#) is taken to be the principal outstanding, or the billed/invoiced amount. In accordance with the funding arrangement between the [Commissioner](#) and the [Chief Constable](#), all financial instrument liabilities, including borrowing and trade [creditors](#) are held by the Commissioner.

### 11 Financial Instruments - Financial Assets

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market. Trade [debtors](#) and investments are classified as loans and receivables.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. There are no available-for-sale assets.

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 rate of interest for the instrument. Where a receivable (i.e. debtor) has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed/invoiced amount. Investments are shown in the balance sheet at cost. Where investments are fixed term deposits, accrued interest owing at the balance sheet date is included in the Comprehensive Income and Expenditure Statement.

# Annex A - Statement of Accounting Policies

Where assets are identified as [impaired](#) because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. An example of such a charge would be the adjustment made to the [debtors](#) balance as a [provision](#) for bad debts (see note 11, page 49).

Investments are undertaken and accounted for in accordance with the Treasury Management Strategy.

**Treasury Management** is defined as “the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.’

The **Treasury Management Strategy** is produced on an annual basis and is approved by the Commissioner in February each year. The strategy contains an investment strategy which provides details of approved counterparties with whom investments can be placed and approved limits and durations for investment. The strategy also includes a borrowing strategy should this be needed and approved practices and procedures to be adopted by staff carrying out investment and borrowing activities.

In accordance with the [Commissioner](#)’s funding arrangement with the [Chief Constable](#) all financial instrument assets including investments and trade debtors are held by the Commissioner.

## 12 Government Grants and Contributions

Whether paid on account, by installments or in arrears, government grants and third party contributions and donations are recognised as due when there is reasonable assurance of:

- compliance with the conditions attached to the payments, and
- the grants or contributions will be received.

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

Monies advanced as grants or contributions for which conditions have not been satisfied are carried on the balance sheet as [creditors](#). When conditions are satisfied, the grant or contribution is credited to the relevant function line (attributable revenue grants and contributions) or Taxation and Non-Specific Grants Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Police Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance [capital expenditure](#), it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the [Capital Adjustment Account](#). Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

In accordance with the statutory responsibility of the [Commissioner](#) to maintain the Police Fund contained within the Police Reform and Social Responsibility Act 2011, all grants are recognised in the accounts of the Commissioner.



# Annex A - Statement of Accounting Policies

## 13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset. Intangible assets are initially measured at cost amounts and are only revalued where the [fair value](#) of the asset can be determined by an active market. The depreciable amount of an intangible asset is amortised over its useful life (usually 5 years) to the relevant function(s) in the Comprehensive Income and Expenditure Statement. Once intangible assets have been fully amortised, at the end of their useful lives, the gross book value and accumulated amortisation for those assets will be written out of the asset register. There will be no impact on the core financial statements (balance sheet) as a result of this as the net book value will already be nil.

Where expenditure on intangible assets qualifies as [capital expenditure](#) for statutory purposes, [amortisation](#), [impairment](#) losses and disposal gains and losses are not permitted to have an impact on the Police Fund Balance. The amortisation, impairment and gains and losses on disposal are therefore reversed out of the Police Fund in the Movement in Reserves Statement and posted to the [Capital Adjustment Account](#) and (for any sale proceeds over £10,000) the [Capital Receipts](#) Reserve. An asset is tested for impairment, whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

In accordance with the terms of the [Commissioner's](#) funding arrangement with the [Chief Constable](#), all intangible assets are held by the Commissioner.

## 14 Inventories

Inventories (stocks) are included in the balance sheet at historic cost. This is a departure from IAS2 which requires inventories to be valued at the lower of cost or net realisable value. However, for many stock items, particularly uniforms, net realisable value would be minimal and would not accurately reflect the value of holding these assets. As inventories predominantly relate to operational stocks (uniform and consumables) these are reported in the single entity statements of the Chief Constable and as such are consolidated into the Commissioner's group accounts.

## 15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification. Agreements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfillment of the arrangement is dependent on the use of specific assets.

### 15.1 Finance leases (as Lessee)

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its [fair value](#) measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

# Annex A - Statement of Accounting Policies

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to [depreciation](#) being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer at the end of the lease period).

Council tax is not required to be raised to cover depreciation or revaluation and [impairment](#) losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Police Fund balance, by way of an adjusting transaction within the [Capital Adjustment Account](#) in the Movement in [Reserves](#) Statement for the difference between the two.

## 15.2 Operating Leases (as Lessee)

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the functions benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease.

## 15.3 Finance Leases (as Lessor)

There are currently no finance leases as a lessor.

## 15.4 Operating Leases (as Lessor)

Rental income received under operating leases are credited to the other operating expenditure line within the Comprehensive Income and Expenditure Statement, except where the property has been classified as an [investment property](#), in which case the income is shown in the financing and investment income and expenditure line.

## 16 Treatment of Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the [CIPFA](#) Service Reporting Code of Practice 2015/16 ([SERCOP](#)). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the status as a democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and [impairment](#) losses chargeable on assets held for sale.

The two cost categories are defined in the Service Reporting Code of Practice ([SERCOP](#)) and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Cost of Services.

Under the [Commissioner's](#) funding arrangement to the [Chief Constable](#) premises costs (except where they are directly attributable to the Chief Constable) are initially recorded in the accounts of the Commissioner and a recharge is made to the Chief Constable in the single entity Comprehensive Income and Expenditure

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Statements on an appropriate basis. Transport and supplies and services costs (except where they are directly attributable to the Commissioner) are initially recorded in the accounts of the Chief Constable and a recharge is made to the Commissioner in the single entity Comprehensive Income and Expenditure Statements on an appropriate basis.

## 17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### 17.1 Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an [accruals](#) basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits (i.e. repairs and maintenance) is charged to revenue as an expense through the Comprehensive Income and Expenditure Statement when it is incurred.

[De-minimis](#) levels have been set for capital projects at £25,000. No de-minimis level is set for individual items within capital projects.

### 17.2 Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Borrowing costs incurred are not capitalised whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement basis:

Category	Basis of Valuation
Land and Buildings (Specialised)	Depreciated Replacement Cost
Land and Buildings (Non Specialised)	Existing Use Value
Vehicles, Plant, Furniture and Equipment	Depreciated Historic Cost (as a proxy for current value)
Assets Under Construction	Historic Cost

Assets included in the Balance Sheet at [current value](#) (i.e. not valued at historic cost) are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the [Revaluation Reserve](#) to recognise unrealised gains. Gains are to be credited to the relevant function line(s) in the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a function up to the amount of the original loss, adjusted for [depreciation](#) (if material) that would have been charged if the loss had not been recognised.

Valuations are carried out by Mr. C. Smith BSc MRICS, Carigiet Cowen, Telford House, Riverside, Warwick

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Road, Carlisle CA1 2BT.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the [Revaluation Reserve](#), the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant function lines(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal inception. Gains arising before that date have been consolidated into the [Capital Adjustment Account](#). Revaluation gains and losses are not permitted to have an impact on the Police Fund. The gains and losses are therefore reversed out of the Police Fund in the Movement in [Reserves](#) Statement and posted to the Capital Adjustment Account.

## 17.3 Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an [impairment](#) loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the [Revaluation Reserve](#), the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant function line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently by a revaluation gain, the reversal is credited to the relevant function line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for [depreciation](#) (if material) that would have been charged if the loss had not been recognised.

Impairment losses are not a charge against Council Tax. The balance on the Comprehensive Income and Expenditure Statement arising from an impairment loss is appropriated to the [Capital Adjustment Account](#) through the Movement in [Reserves](#) Statement.

The impairment reviews are carried out by Mr. C. Smith BSc MRICS, Carigiet Cowen, Telford House, Riverside, Warwick Road, Carlisle CA1 2BT.

## 17.4 Depreciation

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

Depreciation is calculated on the following bases:

## Annex A - Statement of Accounting Policies

- Land and Buildings - straight-line allocation over the useful life of the property as estimated by the valuer up to a maximum of 50 years
- Vehicles – straight line allocation over the estimated useful life (3 to 10 years)
- IT Equipment – straight line allocation over the estimated useful life (5 to 8 years)

No depreciation charge is made however in the year of acquisition but a full year charge is made in the year of disposal. A full year's depreciation charge is made in the year of revaluation of any asset.

Depreciation also has to be calculated on revaluation gains and is represented by the difference between depreciation calculated at current cost and depreciation calculated at historic cost. The difference between the two values is transferred each year from the [Revaluation Reserve](#) to the [Capital Adjustment Account](#).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately (see accounting policy 17.7 below).

Once ICT equipment assets have been fully depreciated, at the end of their useful lives, the gross book value and accumulated depreciation for those assets will be written out of the asset register. There will be no impact on the core financial statements (balance sheet) as a result of this as the net book value will already be nil.

### 17.5 Disposal and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and [fair value](#) less costs to sell. Where there is a subsequent decrease to fair value less cost to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. [Depreciation](#) is not charged on Assets held for Sale.

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. In this case the carrying amount is adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale.
- their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Disposal costs are shown in other operating expenditure in the Comprehensive Income and Expenditure Statement. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). In line with Statutory Instrument 2010 No 454, disposal costs of up to 4% of the sale proceeds are financed from capital receipts. Any revaluation gains accumulated for the asset in the [Revaluation Reserve](#) are transferred to the [Capital Adjustment Account](#). The written-off value of disposals is not a charge against Council Tax, as the cost of [non-current assets](#) is fully provided for

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under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Police Fund Balance in the Movement in Reserves Statement.

### 17.6 Capital Receipts

Amounts received for a disposal in excess of £10,000 are categorised as [Capital Receipts](#). The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the underlying need to borrow (the [capital financing requirement](#)). Receipts are appropriated to the reserve from the Police Fund Balance in the Movement in Reserves Statement.

### 17.7 Component Accounting

Under the IFRS based code, separate recognition, [depreciation](#) and derecognition of parts of assets is required. This is often referred to as [componentisation](#). Componentisation is a change that has to be applied prospectively which means that it only needs to be considered for any [non-current assets](#), acquired, improved or revalued after 1 April 2010. A componentisation policy has been established whereby all land and building assets with a value in excess of £1m will be assessed to see if they contain a significant component. A significant component is defined in the policy as one which exceeds £200k in value and has a different life to the remainder of the asset. Where a component of a non-current asset is replaced or restored, the carrying amount of the old component shall be derecognised and the new component reflected in the carrying amount. Each significant component of an item of property, plant or equipment is depreciated separately. Depreciation is calculated on the balance brought forward at the start of each year. Depreciation on the componentised assets will therefore only become effective in the year following revaluation and subsequent split for componentisation.

Under the terms of the [Commissioner's](#) funding arrangement to the [Chief Constable](#) all property, plant and equipment is held by the Commissioner. Accordingly, all accounting entries in relation to the acquisition, enhancement, revaluation, [impairment](#), depreciation and sale of such assets are recorded in the single entity accounts of the Commissioner. As noted in policy 6 the Commissioner makes a charge to the Chief Constable for the use of such assets which is equivalent to the Chief Constable's share of depreciation.

## 18 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at [fair value](#), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Police Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Police Fund balance. The gains and losses are therefore reversed out of the police fund balance in the Movement in Reserves Statement and posted to the [Capital Adjustment Account](#) and (for any sale proceeds greater than £10,000) the [Capital Receipts](#) Reserve.

Investment assets are not generally held, however, in some circumstances where a surplus property no longer meets the strict criteria to be classified as "held for sale", it must be classified as an investment property.



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## 19 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the services that are provided under the PFI scheme are deemed under the PFI contract to be controlled, the asset is carried on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at [fair value](#) (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

[Non-current assets](#) recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment.

The amounts payable to the PFI operator each year are analysed into four elements:

- Fair value of the services received during the year – debited to the relevant function in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

There is currently one PFI scheme recognised on the Balance Sheet and this relates to the West Cumbria [TPA](#) HQ at Workington. Under the terms of the [Commissioner's](#) funding arrangement to the [Chief Constable](#) the Commissioner controls all property and, accordingly, the PFI building is recorded on the Balance Sheet of the Commissioner. A charge is made by the Commissioner to the Chief Constable in the Comprehensive Income and Expenditure Statement for the Chief Constable's use of the building and the services provided. Further details of the arrangement and accounting treatment can be found in note 9 (pages 46-47) of the notes to the accounts.

## 20 Heritage Assets

There are a small number of items that fall under the definition of heritage assets. Due to their diverse nature and lack of historical cost information specialist valuations would be required in order to obtain a reliable estimated value to include in the accounts. The cost of obtaining such valuations would outweigh the benefits gained and therefore no values are included in the balance sheet.

## 21 Provisions, Contingent Liabilities and Contingent Assets

### 21.1 Provisions

[Provisions](#) are made when an event has taken place that gives a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, involvement in a court case that could eventually result in the making of a settlement or the payment of compensation.

[Provisions](#) are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best

# Annex A - Statement of Accounting Policies

estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties. Details of provisions made during the year are shown in the notes to the accounts (note 13, page 51).

When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will subsequently be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant function.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

## 21.2 Contingent Liabilities

A contingent liability arises where an event has taken place that gives a possible obligation which will only be confirmed by the occurrence or otherwise of uncertain future events which cannot wholly be controlled. Contingent liabilities also arise in circumstances where a [provision](#) would otherwise be made but it is either not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised on the Balance Sheet but disclosed in a note to the accounts.

## 21.3 Contingent Assets

A contingent asset arises where an event has taken place that gives rise to a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events which cannot wholly be controlled. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## 22 Reserves

Specific amounts are set aside as [reserves](#) for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Police Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate function in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Police Fund balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Reserves are classified in the Balance Sheet and the Movement in Reserves Statement as either 'usable' (those that can be applied to fund expenditure or reduce local taxation) and 'unusable' (those held for technical accounting purposes). Under the [Commissioner's](#) funding arrangement to the [Chief Constable](#) all usable reserves are controlled by the Commissioner and recorded in the balance sheet of the Commissioner.

## 23 Material Estimation Techniques

IAS 1 Presentation of Financial Statements requires disclosure of any estimation techniques applied, such that if a different methodology had been used a material variance in the amounts disclosed would have been arrived at. The only material estimation techniques used are as follows:

### 23.1 Pension Disclosure Note:

Where the projected unit method of valuation has been applied and which is consistent with the required methodology in IAS 19. This is a valuation method in which the scheme liabilities make an allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the

# Annex A - Statement of Accounting Policies

valuation date relate to:

- (a) the benefits pensioners and deferred pensioners (i.e. individuals who have ceased as active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- (b) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested or not.

For 2015/16 a discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuaries for the Police and LGPS pension funds have advised that a rate 3.6% is appropriate.

## 23.2 Property Revaluations

All operational buildings are revalued on a rolling five-year programme and the estimation techniques used are based on the “open market value in existing use” or in the case of specialised operational police properties “depreciated replacement cost” which is consistent with proper accounting practice. The professional valuer, Mr. C. Smith of Carigiet Cowen, applied these valuation methods.

## 24 Collection Fund

Council Tax is collected from local taxpayers by the billing authorities (district councils). The billing authorities in England are required by statute to maintain a separate fund, known as the **Collection Fund**, for the collection and distribution of amounts due in respect of Council Tax. The fund’s key features relevant to accounting for Council Tax in the core financial statements of the billing authorities are:

- In its capacity as a billing authority the council acts as agent; it collects and distributes Council Tax income on behalf of the major preceptors (County Council and the Police and Crime Commissioner for Cumbria) and itself.
- While the Council Tax income for the year credited to the collection fund is accrued income for the year, regulations determine when it should be released from the collection fund and transferred to the general fund of the billing authority or paid out of the collection fund to major preceptors.
- Up to 2008/09 the SORP required the Council Tax income included in the Comprehensive Income and Expenditure Statement to be that which under regulation was required to be transferred from the collection Fund to the general fund of the billing authority. The Major precepting bodies were simply required to show the [precept](#) received from the billing authority during the year.

From the year commencing 1 April 2009, the Council Tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the collection fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of Council Tax is, in substance, an agency arrangement, cash collected by the billing authority from Council Tax [debtors](#) belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authorities and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

## Annex A - Statement of Accounting Policies

The Comprehensive Income and Expenditure Statement shows the share of cash collected in relation to Council Tax for the year. A transfer has been made to the collection fund adjustment account to record the amount due to/from the six districts (billing authorities) as at the year end. The debtors and [creditors](#) contained within the balance sheet now shows the share of Council Tax debtors (less an adjustment for bad and doubtful debts), Council Tax creditors, prepayments and a recognition of the amounts owed to or from the billing authorities.

### 25 Value Added Tax (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.

## Section A - Financial Instrument Disclosures

***Financial Instruments** are contracts that give rise to a financial asset in one entity and a financial liability in another. The term covers both **financial assets** such as loans and receivables and **financial liabilities** such as creditors and borrowings.*

### A1 Categories of Financial Instrument

The following categories of financial instrument are carried in the balance sheet:

Categories of Financial Instruments	PCC Long Term		PCC Current		Group Long Term		Group Current	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Financial Assets</b>								
Loans and Receivables								
Investments	0	0	12,544	15,030	0	0	12,544	15,030
Cash & Cash Equivalents	0	0	6,881	3,303	0	0	6,881	3,303
Debtors	0	0	4,046	5,301	0	0	4,261	5,376
<b>Total Financial Assets</b>	<b>0</b>	<b>0</b>	<b>23,471</b>	<b>23,634</b>	<b>0</b>	<b>0</b>	<b>23,686</b>	<b>23,709</b>
<b>Financial Liabilities</b>								
Financial liabilities carried at contract amounts								
Creditors	0	0	(1,627)	(3,164)	0	0	(9,169)	(10,851)
Other Long-term Liability (PFI/Finance Lease)								
PFI & Finance Lease Liabilities	(5,122)	(5,012)	(98)	(111)	(5,122)	(5,012)	(98)	(111)
<b>Total Financial Liabilities</b>	<b>(5,122)</b>	<b>(5,012)</b>	<b>(1,725)</b>	<b>(3,275)</b>	<b>(5,122)</b>	<b>(5,012)</b>	<b>(9,267)</b>	<b>(10,962)</b>

The above table now includes a financial asset as at 31/03/15 of £6,881k in respect of cash and cash equivalents that was omitted from this note in the 2014/15 Statement of Accounts.

### A2 Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2015/16 relating to financial instruments are made up as follows:

Gains and Losses on Financial Instruments	PCC/Group 2014/15				PCC/Group 2015/16			
	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest Expense	0	658	0	658	0	646	0	646
Impairment Losses (Bad Debts Provision Increase)	0	0	0	0	0	0	0	0
<b>Total Expenses in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>	<b>658</b>	<b>0</b>	<b>658</b>	<b>0</b>	<b>646</b>	<b>0</b>	<b>646</b>
Interest Income	0	0	(155)	(155)	0	0	(123)	(123)
Impairment Gain (Bad Debts Provision Reduction)	3	0	0	3	0	0	0	0
<b>Total Income in (Surplus) or Deficit on the Provision of Services</b>	<b>3</b>	<b>0</b>	<b>(155)</b>	<b>(152)</b>	<b>0</b>	<b>0</b>	<b>(123)</b>	<b>(123)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>3</b>	<b>658</b>	<b>(155)</b>	<b>506</b>	<b>0</b>	<b>646</b>	<b>(123)</b>	<b>523</b>

## Annex B – Technical Annex

### A3 Fair value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and assets represented by loans and receivables and long term [debtors](#) and [creditors](#) are carried in the balance sheet at amortised cost. Their [fair value](#) can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2016 of 3% for loans from the Public Works Loans Board (PWLB).
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.
- In calculating the fair value of the PFI a discount rate based on the returns of a zero coupon AA corporate bond have been used to discount future cash flows as this instrument has an estimated risk profile equivalent to that of public sector PFI schemes.

The fair values calculated are as follows:

Fair Values of Assets and Liabilities	PCC		PCC		Group		Group	
	31 March 2015		31 March 2016		31 March 2015		31 March 2016	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
<b>Financial Liabilities</b>								
Creditors	(1,627)	(1,627)	(3,164)	(3,164)	(9,169)	(9,169)	(10,851)	(10,851)
Other Long-term Liabilities (PFI/Finance Lease)	(5,220)	(10,410)	(5,123)	(9,665)	(5,220)	(10,410)	(5,123)	(9,665)
	<b>(6,847)</b>	<b>(12,037)</b>	<b>(8,287)</b>	<b>(12,829)</b>	<b>(14,389)</b>	<b>(19,579)</b>	<b>(15,974)</b>	<b>(20,516)</b>
<b>Financial Assets</b>								
Investments	12,544	12,544	15,030	15,030	12,544	12,544	15,030	15,030
Cash and Cash Equivalents	6,881	6,881	3,303	3,303	6,881	6,881	3,303	3,303
Debtors	4,046	4,046	5,301	5,301	4,261	4,261	5,376	5,376
	<b>23,471</b>	<b>23,471</b>	<b>23,634</b>	<b>23,634</b>	<b>23,686</b>	<b>23,686</b>	<b>23,709</b>	<b>23,709</b>

The above table now includes a financial asset as at 31/03/15 of £6,881k in respect of cash and cash equivalents that was omitted from this note in the 2014/15 Statement of Accounts.

For financial assets the fair value is shown to be the same as the carrying amount as the investments are for a short period and there is no option to vary the amount or timing of repayment.

In relation to the PFI, the fair value exceeds the carrying amount as a result of the historically higher level of interest rates prevailing at the inception of the PFI arrangement and the interest rate implicit within the PFI agreement.



### A4 Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

The Commissioner's activities expose it to a variety of financial risks. The Commissioner's annual Treasury Management Strategy focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Commissioner provides written policies within its Treasury Management Strategy covering interest rate risk, credit risk and the investment of surplus cash balances. A copy of the current Treasury Management Strategy Statement can be found on the Police and Crime Commissioner's website at:

<http://www.cumbria-pcc.gov.uk/media/33510/TM%20Strategy%20Combined.pdf>

#### A4 (i) Credit Risk

*Credit Risk is the possibility that other parties might fail to pay amounts due to the Commissioner.*

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Commissioner's customers.

This risk is minimised through the application of policies set out in the annual Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's ratings services. The annual TMSS (approved by the Commissioner in February 2015), also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria as set out in the 2015/16 TMSS in respect of financial assets held by the Commissioner are detailed below:

Financial Asset Category	Minimum Criteria	Maximum Investment
Deposits with major UK and non UK Banks and Building Societies (Unsecured)	BBB/BBB- The maximum duration of investments varies according to the credit rating.	Maximum per institution or Group £2m (varies according to credit rating). Maximum of all deposits £20m.
Deposits with major UK and non UK Banks and Building Societies (Secured)	BBB/BBB- The maximum duration of investments varies according to the credit rating.	Maximum per institution or Group £4m (varies according to credit rating). Maximum of all deposits £20m.
Deposits with Money Market Funds/Pooled Funds	Long Term: AAA	£4m per fund. Maximum of all deposits £15m.
Deposits with Government (includes HM Treasury and other Local Authorities)	Not credit rated but are legally required to set a balanced budget.	£4m per authority. Maximum of all deposits – No Limit.

## Annex B – Technical Annex

The Commissioner's maximum exposure to credit risk in relation to its investments in banks, building societies and other Local Authority's of £15m at the balance sheet date cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Commissioner's deposits, but there was no evidence at the 31 March 2016 that this was likely to happen.

The following analysis summarises the Commissioner's potential maximum exposure to credit risk, on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Potential Maximum Exposure to Credit Risk	Amount	Historical	Historical	Estimated	Comparative
	at 31/03/16 £000s	Experience of Default %	Experience Adjusted for Market Conditions at 31/03/16	maximum exposure to default and uncollectability £000s	Estimated maximum exposure at 31/03/15 £000s
Customers - Operational Debtors	2,148	0.04%	0.06%	1	1

The Commissioner does not generally allow credit for customers. At the 31 March 2016, £42k of the £2,148k balance of operational debt was past the due date for payment. This sum has reduced from the balance at 31 March 2015 (£118k out of £1,424k overdue), as a consequence the Commissioner has maintained the bad debt provision as at 31 March 2016 at £1k to reflect a degree of uncertainty around a reduced number of the longer standing debts. The past due amount can be analysed by age as follows:

Aged Debt Past Due Date	PCC/Group As at 31 March	
	2015 £000s	2016 £000s
Total Operational Debtors	1,424	2,148
<b>Aged Debt past its due date by:</b>		
1-30 Days	102	22
31-60 Days	3	4
61-90 Days	3	4
91-180 Days	2	1
181-360 Days	0	3
361+ Days	8	8
	118	42

### A4 (ii) Liquidity Risk

***Liquidity Risk** is the possibility that the Commissioner might not have funds available to meet its commitments to make payments.*

As the Commissioner has ready access to borrowings from the PWLB and had at 31 March 2016 no actual external debt having financed a number of recent projects through internal borrowing, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A more pertinent risk is that the Commissioner will be required to replenish a significant proportion of its internal borrowings at a time of unfavourable interest rates. At the balance sheet date the Commissioner is confident that it has adequate working capital principally as a result of its [reserves](#) to mitigate this risk. Nevertheless, prevailing money market rates are regularly monitored with a view to ensuring that long term debt financing decisions are made at the optimum time.

All operational liabilities are due to be repaid within one year.

### A4 (iii) Market Risk

***Market Risk** is the possibility that financial loss might arise for the Commissioner as a result of changes in such measures as interest rates and stock market movements.*

The Commissioner is exposed to some risk due to movements in interest rates on its loans and investments. These potential risks are:

- An increase in interest rates will result in a fall in the fair value of borrowings and investments.
- A decrease in interest rates will result in a rise in the fair value of borrowings and investments.
- The value of interest received from investments will rise or fall depending on increases and decreases in interest rates and will impact on the Comprehensive Income and Expenditure Statement.

As all of the Commissioner's existing borrowings and investments have been placed at fixed rates, this risk has to a large extent been minimised.

Borrowings and investments are carried in the Balance Sheet at fair value, so nominal gains and losses on fixed rate financial instruments have no impact on the Comprehensive Income and Expenditure Statement.

The Commissioner carries out its borrowing and investment function within parameters set out in its Treasury Management Strategy, which assesses interest rate exposure to feed into the budget process. Forecasts are updated regularly throughout the year, which allows any significant changes to interest rates to be reflected in current budget projections.

The Treasury Management Strategy also advises on the limits for new variable and fixed-rate borrowing for the year. No new external borrowing was undertaken in 2015/16.

## Section B – Pensions Disclosures

### B1 Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Commissioner offers retirement benefits. Although these benefits will not actually be payable until employees retire, under IAS 19 the Commissioner must recognise its future commitment to make payments, which need to be disclosed at the time that employees earn their future entitlement. In addition, the financial statements should contain adequate disclosure of the costs of providing benefits and related gains/losses.

The Commissioner participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff employees, administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded [defined benefit scheme](#), meaning that the Commissioner and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2015/16 the Commissioner made a contribution of 12.7% of pensionable pay. The past service contribution made in 2014/15 of £2,397k (£69k for the PCC Single Entity Statements) represented a three year contribution which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2013 with revised rates applicable from April 2014.
- The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The Commissioner and employees pay contributions into a separate pensions fund account administered by the Commissioner from which on-going pensions liabilities are met. At the year-end any surplus or deficit on the pensions fund account is paid to or met by the Commissioner who then repays or is reimbursed by the Home Office. In 2015/16 contribution rates for employers were 21.3% (previously 24.2%) of pensionable pay and was last reviewed in March 2012). In addition the Constabulary is required to make an additional contribution to the Police Pension Fund Account which equates to 2.9% of pensionable pay to fund the difference between the contributions calculated with the current and previous rates.

The principal risk to the Commissioner of the schemes are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the Police Fund the amounts required by statute as described in the accounting policies note.

The cost of retirement benefits is recognised in the Cost of Services within the Comprehensive Income and Expenditure Statement when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the contributions in the year, so the real cost of retirement benefits is reversed out of the Police Fund in the Movement in Reserves Statement.

## Annex B – Technical Annex

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Pension Transactions in MiRS and CI&ES	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme		Group Total Pension Schemes	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Comprehensive Income and Expenditure Statement</b>												
<i>Cost of Services</i>												
<i>Service cost comprising:</i>												
• Current service cost	3,304	4,426	0	0	15,890	12,730	4,180	360	0	6,400	23,374	23,916
• (Gain)/loss from settlements	47	588	0	0	0	0	0	0	0	0	47	588
<i>Financing and Investment Income and Expenditure</i>	0	0	0	0								
• Net interest expense	583	1,000	51	40	42,610	36,380	1,230	1,060	0	150	44,474	38,630
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,934</b>	<b>6,014</b>	<b>51</b>	<b>40</b>	<b>58,500</b>	<b>49,110</b>	<b>5,410</b>	<b>1,420</b>	<b>0</b>	<b>6,550</b>	<b>67,895</b>	<b>63,134</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>												
<i>Remeasurement of the net defined benefit liability comprising:</i>												
• Return on plan assets (excluding the amount included in the net interest expense)	(9,639)	1,635	0	0	0	0	0	0	0	0	(9,639)	1,635
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	0	0	0	(41,730)	(16,720)	(2,480)	(560)	0	(130)	(44,210)	(17,410)
• Actuarial (gains) and losses arising on changes in financial assumptions	25,048	(10,581)	116	(39)	167,480	(91,120)	6,940	(7,450)	0	(780)	199,584	(109,970)
• Experience (gains) and losses on liabilities	0	0	0	0	(20,640)	(51,680)	(4,320)	7,320	0	30	(24,960)	(44,330)
• Administration expenses	90	90	0	0	0	0	0	0	0	0	90	90
<b>Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure</b>	<b>15,499</b>	<b>(8,856)</b>	<b>116</b>	<b>(39)</b>	<b>105,110</b>	<b>(159,520)</b>	<b>140</b>	<b>(690)</b>	<b>0</b>	<b>(880)</b>	<b>120,865</b>	<b>(169,985)</b>
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>19,433</b>	<b>(2,842)</b>	<b>167</b>	<b>1</b>	<b>163,610</b>	<b>(110,410)</b>	<b>5,550</b>	<b>730</b>	<b>0</b>	<b>5,670</b>	<b>188,760</b>	<b>(106,851)</b>
<i>Movement in Reserves Statement</i>												
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(3,934)	(6,014)	(51)	(40)	(58,500)	(49,110)	(5,410)	(1,420)	0	(6,550)	(67,895)	(63,134)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	4,695	3,046	67	67	0	0	0	0	0	0	4,762	3,113
• Retirements benefits payable to pensioners	0	0	0	0	27,070	28,880	(1,080)	(210)	0	(2,570)	25,990	26,100
<b>Total amount charged against the Police Fund Balance for pensions in the year</b>	<b>4,695</b>	<b>3,046</b>	<b>67</b>	<b>67</b>	<b>27,070</b>	<b>28,880</b>	<b>(1,080)</b>	<b>(210)</b>	<b>0</b>	<b>(2,570)</b>	<b>30,752</b>	<b>29,213</b>

## Annex B – Technical Annex

The following transactions have been made in the PCC Single Entity Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Pension Transactions in MiRS and CI&ES	PCC LGPS		PCC LGPS		PCC Total LGPS	
	Funded Benefits		Unfunded Benefits		Pension Scheme	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
<b>Comprehensive Income and Expenditure Statement</b>						
<i>Cost of Services</i>						
<i>Service cost comprising:</i>						
• Current service cost	88	126	0	0	88	126
• (Gain)/loss from settlements	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>						
• Net interest expense	16	24	2	1	18	25
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>104</b>	<b>150</b>	<b>2</b>	<b>1</b>	<b>106</b>	<b>151</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>						
<i>Remeasurement of the net defined benefit liability comprising:</i>						
• Return on plan assets (excluding the amount included in the net interest expense)	(226)	36	0	0	(226)	36
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	0	0	0	0	0
• Actuarial (gains) and losses arising on changes in financial assumptions	546	(227)	3	(1)	549	(228)
• Experience (gains) and losses on liabilities	0	0	0	0	0	0
• Administration expenses	3	3	0	0	3	3
<b>Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure</b>	<b>323</b>	<b>(188)</b>	<b>3</b>	<b>(1)</b>	<b>326</b>	<b>(189)</b>
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>427</b>	<b>(38)</b>	<b>5</b>	<b>0</b>	<b>432</b>	<b>(38)</b>
<i>Movement in Reserves Statement</i>						
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(104)	(150)	(2)	(1)	(106)	(151)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>						
• Employers' contributions payable to the scheme	136	69	2	2	138	71
• Retirements benefits payable to pensioners	0	0	0	0	0	0
<b>Total amount charged against the Police Fund Balance for pensions in the year</b>	<b>136</b>	<b>69</b>	<b>2</b>	<b>2</b>	<b>138</b>	<b>71</b>



## Annex B – Technical Annex

### B2 Pensions Assets and Liabilities Recognised in the Balance Sheet

Under IAS 19, the financial statements should reflect at [fair value](#) the assets and liabilities arising from an employer's obligation to pay retirement benefits and the funding provided.

The underlying assets and liabilities for retirement benefits attributable to the Group at 31 March 2016 are as follows:

Pension Scheme Assets & Liabilities	Group LGPS		Group LGPS		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	Funded Benefits		Unfunded Benefits		2014/15		2014/15		2014/15	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Present value of the defined benefit obligation	(136,522)	(134,244)	(1,203)	(1,137)	(1,110,620)	(971,330)	(31,950)	(32,890)	0	(8,240)
Fair value of plan assets	105,548	109,158	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(30,974)	(25,086)	(1,203)	(1,137)	(1,110,620)	(971,330)	(31,950)	(32,890)	0	(8,240)

The liabilities in the above table show the underlying commitments that the Commissioner has, in the long run, to pay retirement benefits. The total group liability of £1.039m (£1.175m at 31 March 2015) has a substantial impact on the net worth of the Commissioner as recorded in the group balance sheet, resulting in a negative overall balance of £0.964m (£1.096m at 31 March 2015).

However, statutory arrangements for funding the deficit mean that the financial position of the group remains healthy, since:

- the deficit on the local government scheme will be made good by increased contributions and changes to benefits 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.

The underlying assets and liabilities for retirement benefits attributable to the PCC Single Entity at 31 March 2016 are as follows:

Pension Scheme Assets & Liabilities	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Present value of the defined benefit obligation	(3,248)	(3,272)	(35)	(33)
Fair value of plan assets	2,487	2,618	0	0
Net liability arising from defined benefit obligation	(761)	(654)	(35)	(33)

## Annex B – Technical Annex

Reconciliation of present value of scheme liabilities for the group:

Reconciliation of Scheme Liabilities	Group LGPS		Group LGPS		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	Funded Benefits		Unfunded Benefits							
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(104,245)	(136,522)	(1,103)	(1,203)	(974,080)	(1,110,620)	(25,320)	(31,950)	0	0
Adjustment to Opening Balance	0	0	0	0	0	0	0	0	0	0
Adjusted Balance at Start of Year	(104,245)	(136,522)	(1,103)	(1,203)	(974,080)	(1,110,620)	(25,320)	(31,950)	0	0
Current service cost	(3,304)	(4,426)	0	0	(15,890)	(12,730)	(4,180)	(360)	0	(6,400)
Interest cost	(4,774)	(4,615)	(51)	(40)	(42,610)	(36,380)	(1,230)	(1,060)	0	(150)
Contributions by Scheme Participants	(1,161)	(1,166)	0	0	(4,450)	(2,670)	(1,070)	(90)	0	(2,540)
Remeasurement gains and (losses):										
- Arising from changes in demographic assumptions	0	0	0	0	41,730	16,720	2,480	560	0	130
- Arising from changes in financial assumptions	(25,048)	10,581	(116)	39	(167,480)	91,120	(6,940)	7,450	0	780
- Experience gains/(losses)	0	0	0	0	20,640	51,680	4,320	(7,320)	0	(30)
Gains/(losses) on curtailment	(47)	(588)	0	0	0	0	0	0	0	0
Benefits Paid/Transfers	2,057	2,492	67	67	31,520	31,550	(10)	(120)	0	(30)
Balance at End of Year	(136,522)	(134,244)	(1,203)	(1,137)	(1,110,620)	(971,330)	(31,950)	(32,890)	0	(8,240)

*The liabilities under both the LGPS and Police Pension Schemes have reduced during 2015/16. The principal reason for this reduction is in relation to a change in financial and demographic assumptions by the scheme actuaries.*

## Annex B – Technical Annex

Reconciliation of present value of scheme liabilities for the PCC Single Entity:

Reconciliation of Scheme Liabilities	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2014/15	2015/16	2014/15	2015/16
	£000s	£000s	£000s	£000s
<b>Balance at Start of Year</b>	<b>(3,387)</b>	<b>(3,248)</b>	<b>(36)</b>	<b>(35)</b>
Adjustment to Opening Balance	882	0	4	0
<b>Adjusted Balance at Start of Year</b>	<b>(2,505)</b>	<b>(3,248)</b>	<b>(32)</b>	<b>(35)</b>
Current service cost	(88)	(126)	0	0
Interest cost	(114)	(107)	(2)	(1)
Contributions by Scheme Participants	(44)	(46)	0	0
Remeasurement gains and (losses):				
- Arising from changes in demographic assumptions	0	0	0	0
- Arising from changes in financial assumptions	(546)	227	(3)	1
- Experience gains/(losses)	0	0	0	0
Gains/(losses) on curtailment	0	0	0	0
Benefits Paid/Transfers	49	28	2	2
<b>Balance at End of Year</b>	<b>(3,248)</b>	<b>(3,272)</b>	<b>(35)</b>	<b>(33)</b>

*The liabilities under the LGPS Pension Scheme have reduced during 2015/16. The principal reason for this reduction is in relation to a change in financial and demographic assumptions*

## Annex B – Technical Annex

Reconciliation of fair value of the scheme assets for the group:

Reconciliation of Scheme Assets	Group LGPS		Group LGPS	
	Funded Benefits		Unfunded Benefits	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Balance at Start of Year	88,009	105,548	0	0
Adjustment to Opening Balance	0	0	0	0
Adjusted Balance at Start of Year	88,009	105,548	0	0
Interest Income	4,191	3,615	0	0
Remeasurements - Gains and (Losses)	9,639	(1,635)	0	0
Administration Expenses	(90)	(90)	0	0
Employer Contributions	4,695	3,046	67	67
Contributions by Scheme Participants	1,161	1,166	0	0
Benefits Paid	(2,057)	(2,492)	(67)	(67)
Balance at End of Year	105,548	109,158	0	0

Reconciliation of fair value of the scheme assets for the PCC single entity:

Reconciliation of Scheme Assets	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Balance at Start of Year	2,860	2,487	0	0
Adjustment to Opening Balance	(825)	0	0	0
Adjusted Balance at Start of Year	2,035	2,487	0	0
Interest Income	98	83	0	0
Remeasurements - Gains and (Losses)	226	(36)	0	0
Administration Expenses	(3)	(3)	0	0
Employer Contributions	136	69	2	2
Contributions by Scheme Participants	44	46	0	0
Benefits Paid	(49)	(28)	(2)	(2)
Balance at End of Year	2,487	2,618	0	0

## Annex B – Technical Annex

The Police Pension Scheme has no assets to cover its liabilities. The Commissioner's share of assets in the Cumbria County Council Pension Fund (LGPS) consists of the following categories, by proportion of the total assets held:

LGPS Asset Breakdown	Quoted Y/N	PCC 2014/15		PCC 2015/16		Group 2014/15		Group 2015/16	
		£000s	%	£000s	%	£000s	%	£000s	%
<b>Equities</b>									
UK Quoted	Y	341	13.71%	345	13.18%	14,460	13.70%	14,407	13.20%
UK Unquoted	N	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Global Quoted	Y	453	18.21%	492	18.79%	19,211	18.20%	20,522	18.80%
UK Equity Pooled	N	124	4.99%	92	3.51%	5,277	5.00%	3,821	3.50%
Overseas Equity Pooled	N	395	15.88%	432	16.50%	16,782	15.90%	18,011	16.50%
<b>Bonds</b>									
UK Corporate Bonds	Y	174	7.00%	181	6.91%	7,388	7.00%	7,532	6.90%
Overseas Corporate Bonds	Y	10	0.40%	10	0.38%	422	0.40%	436	0.40%
UK Corporate Bonds Pooled	N	0	0.00%	0	0.00%	0	0.00%	0	0.00%
UK Government Indexed Pooled	N	458	18.42%	469	17.91%	19,422	18.40%	19,540	17.90%
<b>Property</b>									
UK	Y	179	7.20%	202	7.72%	7,599	7.20%	8,406	7.70%
Property Funds	N	85	3.42%	94	3.59%	3,589	3.40%	3,929	3.60%
<b>Alternatives</b>									
Hedge Funds	N	2	0.08%	0	0.00%	105	0.10%	0	0.00%
Private Equity Funds	N	42	1.69%	55	2.10%	1,794	1.70%	2,292	2.10%
Infrastructure Funds	N	127	5.11%	144	5.50%	5,383	5.10%	6,004	5.50%
Real Estate Debt Funds	N	10	0.40%	18	0.69%	422	0.40%	764	0.70%
<b>Cash</b>									
Cash Instruments	Y	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Cash Accounts	Y	82	3.30%	81	3.09%	3,483	3.30%	3,384	3.10%
Net Current Assets	N	5	0.20%	3	0.11%	211	0.20%	110	0.10%
		<b>2,487</b>	<b>100.00%</b>	<b>2,618</b>	<b>100.00%</b>	<b>105,548</b>	<b>100.00%</b>	<b>109,158</b>	<b>100.00%</b>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which provides an estimate of the pensions that will be payable in future years using assumptions about mortality rates, salary levels, etc. William M Mercer, an independent firm of actuaries, has carried out the assessment on the Local Government Pension Scheme. These accounts are based on the [actuarial valuation](#) undertaken on 31 March 2013. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

## Annex B – Technical Annex

The principal assumptions used by the actuary have been:

Actuarial Assumptions	LGPS		Police Scheme	
	2014/15	2015/16	2014/15	2015/16
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	23.0	23.1	23.3	23.1
- Women	25.6	25.7	25.7	25.1
Longevity at 65 for future pensioners:				
- Men	25.8	25.9	25.4	25.1
- Women	28.8	28.9	27.9	27.2
Rate of Inflation (CPI)	2.0-2.1%	2.0%	2.2%	2.2%
Rate of increase in salaries	3.5-3.6%	3.5%	4.2%	1.0%
Rate of increase in pensions	2.0-2.1%	2.0%	2.2%	0.0%
Rate for discounting scheme liabilities	3.3-3.4%	3.6%	3.3%	3.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

### Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	PCC			Group		
	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme						
Longevity (1 Year increase in life expectancy)	57	2	3	2,320	88	86
Rate of Inflation (increase by 0.1%)	75	3	3	3,467	134	127
Rate of Increase in Salaries (increase by 0.1%)	31	0	2	1,611	0	60
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(72)	(4)	(2)	(3,378)	(130)	(100)

## Annex B – Technical Annex

### Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions			
	Police Pensions 1987 Scheme £000s	Group Police Pensions 2006 Scheme £000s	Police Pensions 2015 Scheme £000s
<b>Assumption Sensitivity</b>			
Longevity (1 Year increase in life expectancy)	22,300	600	100
Rate of Increase in Pensions (increase by 0.5%)	81,900	3,100	1,600
Rate of Increase in Salaries (increase by 0.5%)	7,300	2,300	0
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(100,100)	(6,400)	(1,600)
Early retirement (each member retiring 1 year earlier than expected)	(2,800)	(400)	(200)

The above tables include the impact of an increase in assumptions, a reduction in assumptions will produce approximately an equal and opposite change.

### Impact on the Commissioner's Cash Flows

The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The Commissioner has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation will take place during 2016/17 based on the position at 31 March 2016. Any change in contribution rates as a result of this valuation will be applicable from 1 April 2017.

The pension schemes will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS and the other main existing public service schemes in England and Wales (which includes the Police Pension schemes) may not provide benefits in relation to service after 31 March 2014 (after 31 March 2015 for other main public service schemes e.g. Police Pension Schemes). This means that the LGPS ceased to be a final salary pension scheme from 31 March 2014 and the Police Pension Scheme ceased to be a final salary pension scheme from 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total group contributions expected to be made to the Local Government Pension Scheme by the Commissioner in the year to 31 March 2017 are £2,472k (PCC single entity £75k). Expected contributions for the Police Pension Scheme in the year to 31 March 2017 are £11,024k.

The weighted average duration of the defined benefit obligation for scheme members is shown in the table below:

Weighted Average Duration of the Defined benefit Obligation			
	2014/15 Years	2015/16 Years	
<b>Pensions Scheme</b>			
Local Government Pension Scheme	20-22	26	
Police Pension -1987 Scheme	22	21	
Police Pension -2006 Scheme	33	37	
Police Pension -2015 Scheme	N/A	37	



## Section C – Segmental Reporting

### C1 Subjective Analysis of Income and Expenditure - Group

The revenue income and expenditure account is shown below on a subjective basis for information.

Subjective Analysis			Group	Group	Group	Group	Group	Group
			2014/15	2014/15	2014/15	2015/16	2015/16	2015/16
			Gross	Gross	Net	Gross	Gross	Net
			Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
Notes			£000s	£000s	£000s	£000s	£000s	£000s
	Police Pay & Allowances		32,105	0	32,105	31,028	0	31,028
	PCSO Pay & Allowances		2,468	0	2,468	2,790	0	2,790
	Police Staff Pay & Allowances		20,887	0	20,887	20,808	0	20,808
	Other Employee Costs		2,966	0	2,966	3,909	0	3,909
	Contribution to Police Pension Fund Account		15,169	0	15,169	18,371	0	18,371
	Police Pensions - IAS19 Current Service Costs		20,070	0	20,070	19,490	0	19,490
	Total Employee Costs		93,665	0	93,665	96,396	0	96,396
	Premises		3,951	0	3,951	4,105	0	4,105
	Transport		2,532	0	2,532	2,422	0	2,422
	Supplies & services		10,595	0	10,595	10,473	0	10,473
	External Interest		658	0	658	646	0	646
	Agency & Contract Services		891	0	891	2,948	0	2,948
	Support Services		105	0	105	169	0	169
	Pension Interest Costs	Annex B (Pg101)	48,665	(4,191)	44,474	42,245	(3,615)	38,630
	Non Current Asset Charges		5,675	0	5,675	7,123	0	7,123
	Gross Operating Expenditure		166,737	(4,191)	162,546	166,527	(3,615)	162,912
	Income from Fees & Charges		0	(4,631)	(4,631)	0	(4,547)	(4,547)
	Income from Grant & Contributions - Central Govt.	25	0	(920)	(920)	0	(1,525)	(1,525)
	Income from Grant & Contributions - Other	25	0	(140)	(140)	0	(356)	(356)
	Interest & Investment Income		0	(155)	(155)	0	(124)	(124)
	Non Distributed Costs		47	0	47	588	0	588
	(Gain) or Loss on Sale of Non Current Assets	6e	0	(106)	(106)	0	(47)	(47)
	PFI Grant	25	0	(688)	(688)	0	(688)	(688)
	Pensions Top Up grant (Home Office)	25	0	(15,169)	(15,169)	0	(18,371)	(18,371)
	Net Operating Expenditure		166,784	(26,000)	140,784	167,115	(29,273)	137,842
	Minimum Revenue Provision	31	362	0	362	367	0	367
	Pensions Adjustment		(37,143)	0	(37,143)	(33,921)	0	(33,921)
	Capital Financing Adjustment		(5,651)	0	(5,651)	(7,175)	0	(7,175)
	Revenue Contribution to Capital		7,829	0	7,829	6,388	0	6,388
	Transfer to/(from) Earmarked Reserves (Revenue)	5	(2,951)	0	(2,951)	(10,651)	0	(10,651)
	Transfer to/(from) Earmarked Reserves (Capital)	5	(2,327)	0	(2,327)	9,187	0	9,187
	Transfer to Capital Grant Unapplied		1,387	0	1,387	1,317	0	1,317
	Transfers to/(from) Collection Fund Adjustment A/c	27	210	0	210	156	0	156
	Transfers to/(from) Accumulated Absences A/c	17d	661	0	661	(154)	0	(154)
	Income from Council Tax	27	0	(33,815)	(33,815)	0	(35,143)	(35,143)
	General Government Grants							
	- Home Office Police Grant	25	0	(30,769)	(30,769)	0	(28,886)	(28,886)
	- Home Office Capital Grant & Other Capital Grants	25	0	(1,387)	(1,387)	0	(1,316)	(1,316)
	- Council Tax Grants (Freeze & Support)	25	0	(4,850)	(4,850)	0	(4,850)	(4,850)
	Formula Funding	25	0	(32,340)	(32,340)	0	(30,999)	(30,999)
	Total		129,161	(129,161)	0	132,629	(130,467)	2,162
	(Surplus)/Deficit for the Year				0			2,162
	Police Fund Balance Brought Forward				(5,149)			(5,149)
	Capital Receipt Transferred to Police Fund				0			(13)
	Police Fund Balance Carried Forward				(5,149)			(3,000)

## Annex B – Technical Annex

### C1(i) Segmental Income and Expenditure - Group

The income and expenditure of the Commissioner's principal Commands/Directorates is recorded in the budget reports for the year as follows:

The figures for 2015/16 are as follows:

Income & Expenditure by Reporting Segments	Expenditure		Total	Fees, Charges &	Income Government Grants	Total	Net Total
	Employee Expenses	Other Operating					
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner							
- Office of the PCC	583	198	781	0	0	0	781
- PCC Other (including Transition)	17	19	36	0	0	0	36
- PCC Commissioned Services	84	2,307	2,391	0	(348)	(348)	2,043
Cumbria Constabulary							
- Territorial Policing Command	49,480	8,693	58,173	(2,246)	(54)	(2,300)	55,873
- Crime Command	16,619	2,000	18,619	(274)	(195)	(469)	18,150
- Corporate Support	7,948	10,843	18,791	(732)	0	(732)	18,059
- Corporate Improvement	677	122	799	(1)	0	(1)	798
- Professional Standards	983	37	1,020	(29)	0	(29)	991
- Legal Services	332	82	414	(234)	0	(234)	180
<b>Total</b>	<b>76,723</b>	<b>24,301</b>	<b>101,024</b>	<b>(3,516)</b>	<b>(597)</b>	<b>(4,113)</b>	<b>96,911</b>

The comparative information for 2014/15 is as follows:

Income & Expenditure by Reporting Segments	Expenditure		Total	Fees, Charges &	Income Government Grants	Total	Net Total
	Employee Expenses	Other Operating					
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner							
- Office of the PCC	584	187	771	0	0	0	771
- PCC Other (including Transition)	0	0	0	0	0	0	0
- PCC Commissioned Services	88	743	831	(38)	0	(38)	793
Cumbria Constabulary							
- Territorial Policing Command	52,567	8,566	61,133	(2,249)	(38)	(2,287)	58,846
- Crime Command	16,555	2,058	18,613	(156)	(174)	(330)	18,283
- Corporate Support	7,664	9,962	17,626	(475)	0	(475)	17,151
- Corporate Improvement	612	135	747	(1)	0	(1)	746
- Professional Standards	983	38	1,021	(28)	0	(28)	993
- Legal Services	324	71	395	(167)	0	(167)	228
<b>Total</b>	<b>79,377</b>	<b>21,760</b>	<b>101,137</b>	<b>(3,114)</b>	<b>(212)</b>	<b>(3,326)</b>	<b>97,811</b>

## Annex B – Technical Annex

### C1(ii) Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement – Group

Reconciliation to Cost of Services in CI&ES	Group 2014/15 £000s	Group 2015/16 £000s
Net Expenditure in Service Analysis (above)	97,811	96,911
Add services not included in main analysis	5,504	4,421
Add technical accounting adjustments (not reported in management accounts )	29,779	32,179
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(36,482)	(34,075)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>96,612</b>	<b>99,436</b>

### C1(iii) Reconciliation to Subjective Analysis - Group

This reconciliation shows how the figures in the analysis of segmental Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

The figures for 2015/16 are as follows:

Reconciliation to Subjective Analysis	Group Service Analysis £000s	Group Services not in Analysis £000s	Group Technical Adjustments £000s	Group Not included in CI&ES £000s	Group Net Cost of Services £000s	Group Corporate Amounts £000s	Group Total £000s
Fees, charges & other service income	(3,516)	(1,018)	0	0	(4,534)	(12)	(4,546)
Interest and investment income	0	0	0	0	0	(124)	(124)
Income from council tax	0	0	0	0	0	(35,143)	(35,143)
Government grants and contributions	(597)	(1,284)	0	0	(1,881)	(85,110)	(86,991)
<b>Total Income</b>	<b>(4,113)</b>	<b>(2,302)</b>	<b>0</b>	<b>0</b>	<b>(6,415)</b>	<b>(120,389)</b>	<b>(126,804)</b>
Employee expenses	76,723	6,443	29,520	(34,075)	78,611	38,630	117,241
Other service expenses	24,301	280	0	0	24,581	18,371	42,952
Depreciation, amortisation and impairment	0	0	2,659	0	2,659	0	2,659
Interest Payments	0	0	0	0	0	646	646
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(47)	(47)
<b>Total operating expenses</b>	<b>101,024</b>	<b>6,723</b>	<b>32,179</b>	<b>(34,075)</b>	<b>105,851</b>	<b>57,600</b>	<b>163,451</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>96,911</b>	<b>4,421</b>	<b>32,179</b>	<b>(34,075)</b>	<b>99,436</b>	<b>(62,789)</b>	<b>36,647</b>

The comparative information for 2014/15 is as follows:

Reconciliation to Subjective Analysis	Group Service £000s	Group Services not in £000s	Group Technical £000s	Group Not included £000s	Group Net Cost of £000s	Group Corporate £000s	Group Total £000s
Fees, charges & other service income	(3,114)	(1,505)	0	0	(4,619)	(12)	(4,631)
Interest and investment income	0	0	0	0	0	(155)	(155)
Income from council tax	0	0	0	0	0	(33,815)	(33,815)
Government grants and contributions	(212)	(848)	0	0	(1,060)	(85,203)	(86,263)
<b>Total Income</b>	<b>(3,326)</b>	<b>(2,353)</b>	<b>0</b>	<b>0</b>	<b>(5,679)</b>	<b>(119,185)</b>	<b>(124,864)</b>
Employee expenses	79,377	7,157	28,491	(36,482)	78,543	44,474	123,017
Other service expenses	21,760	700	0	0	22,460	15,169	37,629
Depreciation, amortisation and impairment	0	0	1,288	0	1,288	0	1,288
Interest Payments	0	0	0	0	0	659	659
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(106)	(106)
<b>Total operating expenses</b>	<b>101,137</b>	<b>7,857</b>	<b>29,779</b>	<b>(36,482)</b>	<b>102,291</b>	<b>60,196</b>	<b>162,487</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>97,811</b>	<b>5,504</b>	<b>29,779</b>	<b>(36,482)</b>	<b>96,612</b>	<b>(58,989)</b>	<b>37,623</b>

# Annex B – Technical Annex

## C2 Subjective Analysis of Income and Expenditure - PCC

The revenue income and expenditure account is shown below on a subjective basis for information.

Subjective Analysis	Notes	PCC 2014/15 Gross Expenditure	PCC 2014/15 Gross Income	PCC 2014/15 Net Expenditure	PCC 2015/16 Gross Expenditure	PCC 2015/16 Gross Income	PCC 2015/16 Net Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Police Staff Pay & Allowances		811	0	811	864	0	864
Other Employee Costs		59	0	59	47	0	47
Contribution to Police Pension Fund Account		15,169	0	15,169	18,371	0	18,371
<b>Total Employee Costs</b>		<b>16,039</b>	<b>0</b>	<b>16,039</b>	<b>19,282</b>	<b>0</b>	<b>19,282</b>
Premises		3,898	(5,185)	(1,287)	3,783	(4,820)	(1,037)
Transport		50	(942)	(892)	53	(914)	(861)
Supplies & services		955	(2,070)	(1,115)	429	(2,204)	(1,775)
External Interest		658	0	658	646	0	646
Agency & Contract Services		43	0	43	1,952	0	1,952
Support Services		19	0	19	31	0	31
Pension Interest Costs	Annex B (Pg102)	116	(98)	18	108	(83)	25
Non Current Asset Charges		5,675	0	5,675	7,123	0	7,123
Funding from PCC to reimburse expenditure by CC		106,912	0	106,912	104,109	0	104,109
<b>Gross Operating Expenditure</b>		<b>134,365</b>	<b>(8,295)</b>	<b>126,070</b>	<b>137,516</b>	<b>(8,021)</b>	<b>129,495</b>
Income from Fees & Charges		0	(4,631)	(4,631)	0	(4,547)	(4,547)
Income from Grant & Contributions - Central Govt.	25	0	(920)	(920)	0	(1,525)	(1,525)
Income from Grant & Contributions - Other	25	0	(140)	(140)	0	(356)	(356)
Interest & Investment Income		0	(155)	(155)	0	(124)	(124)
Non Distributed Costs		0	0	0	0	0	0
(Gain) or Loss on Sale of Non Current Assets	6e	0	(106)	(106)	0	(47)	(47)
PFI Grant	25	0	(688)	(688)	0	(688)	(688)
Pensions Top Up grant (Home Office)	25	0	(15,169)	(15,169)	0	(18,371)	(18,371)
<b>Net Operating Expenditure</b>		<b>134,365</b>	<b>(30,104)</b>	<b>104,261</b>	<b>137,516</b>	<b>(33,679)</b>	<b>103,837</b>
Minimum Revenue Provision	31	362	0	362	367	0	367
Pensions Adjustment		32	0	32	(80)	0	(80)
Capital Financing Adjustment		(5,651)	0	(5,651)	(7,175)	0	(7,175)
Revenue Contribution to Capital		7,829	0	7,829	6,388	0	6,388
Transfer to/(from) Earmarked Reserves (Revenue)	5	(2,951)	0	(2,951)	(10,651)	0	(10,651)
Transfer to/(from) Earmarked Reserves (Capital)	5	(2,327)	0	(2,327)	9,187	0	9,187
Transfer to Capital Grant Unapplied		1,387	0	1,387	1,317	0	1,317
Transfers to/(from) Collection Fund Adjustment A/c	27	210	0	210	156	0	156
Transfers to/(from) Accumulated Absences A/c	17d	9	0	9	10	0	10
Income from Council Tax	27	0	(33,815)	(33,815)	0	(35,143)	(35,143)
General Government Grants							
- Home Office Police Grant	25	0	(30,769)	(30,769)	0	(28,886)	(28,886)
- Home Office Capital Grant & Other Capital Grants	25	0	(1,387)	(1,387)	0	(1,316)	(1,316)
- Revenue Support grant	25	0	0	0	0	0	0
- Council Tax Grants (Freeze & Support)	25	0	(4,850)	(4,850)	0	(4,850)	(4,850)
Formula Funding	25	0	(32,340)	(32,340)	0	(30,999)	(30,999)
<b>Total</b>		<b>133,265</b>	<b>(133,265)</b>	<b>0</b>	<b>137,035</b>	<b>(134,873)</b>	<b>2,162</b>
(Surplus)/Deficit for the Year				0			2,162
Police Fund Balance Brought Forward				(5,149)			(5,149)
Capital Receipt Transferred to Police Fund				0			(13)
<b>Police Fund Balance Carried Forward</b>				<b>(5,149)</b>			<b>(3,000)</b>

## Annex B – Technical Annex

### C2(i) Segmental Income and Expenditure - PCC

The income and expenditure of the Commissioner's principal Commands/Directorates is recorded in the budget reports for the year as follows:

Income & Expenditure by Reporting Segments	Employee Expenses	Expenditure Other Operating Expenses	Funding provided by PCC to CC	Total	Income Fees, Charges & Other Service	Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Police and Crime Commissioner</b>								
- Office of the PCC	583	198	0	781	0	0	0	781
- PCC Other	17	19	104,109	104,145	(4,535)	(1,533)	(6,067)	98,078
- PCC Commissioned Services	84	2,306	0	2,390	0	(348)	(349)	2,041
<b>Cumbria Constabulary</b>								
- Corporate Support	191	248	0	439	0	0	0	439
- Legal Services	5	2	0	7	0	0	0	7
<b>Total</b>	<b>880</b>	<b>2,773</b>	<b>104,109</b>	<b>107,762</b>	<b>(4,535)</b>	<b>(1,881)</b>	<b>(6,416)</b>	<b>101,346</b>

The comparative information for 2014/15 is as follows:

Income & Expenditure by Reporting Segments	Employee Expenses	Expenditure Other Operating Expenses	Funding provided by PCC to CC	Total	Income Fees, Charges & Other Service	Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Police and Crime Commissioner</b>								
- Office of the PCC	584	188	0	772	0	0	0	772
- PCC Other	0	0	106,912	106,912	(4,581)	(1,060)	(5,641)	101,271
- PCC Commissioned Services	88	743	0	831	(38)	0	(38)	793
<b>Cumbria Constabulary</b>								
- Corporate Support	166	222	0	388	0	0	0	388
- Legal Services	4	2	0	6	0	0	0	6
<b>Total</b>	<b>842</b>	<b>1,155</b>	<b>106,912</b>	<b>108,909</b>	<b>(4,619)</b>	<b>(1,060)</b>	<b>(5,679)</b>	<b>103,230</b>

### C2(ii) Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement – PCC

Reconciliation to Cost of Services in CI&ES	PCC 2014/15 £000s	PCC 2015/16 £000s
Net Expenditure in Service Analysis (above)	103,230	101,346
Add services not included in main analysis	69	0
Add technical accounting adjustments (not reported in management accounts)	1,221	2,777
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	25	(87)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>104,545</b>	<b>104,036</b>

## Annex B – Technical Annex

### C2(iii) Reconciliation to Subjective Analysis - PCC

This reconciliation shows how the figures in the analysis of segmental Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

The figures for 2015/16 are as follows:

Reconciliation to Subjective Analysis	PCC Service Analysis	PCC Services not in Analysis	PCC Technical Adjustments	PCC Not included in CI&ES	PCC Net Cost of Services	PCC Corporate Amounts	PCC Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(4,535)	0	0	0	(4,535)	(12)	(4,547)
Interest and investment income	0	0	0	0	0	(124)	(124)
Income from council tax	0	0	0	0	0	(35,143)	(35,143)
Government grants and contributions	(1,881)	0	0	0	(1,881)	(85,110)	(86,991)
<b>Total Income</b>	<b>(6,416)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,416)</b>	<b>(120,389)</b>	<b>(126,805)</b>
Employee expenses	880	0	118	(87)	911	25	936
Other service expenses	2,773				2,773	18,371	21,144
Depreciation, amortisation and impairment	0	0	2,659	0	2,659	0	2,659
Interest Payments	0	0	0	0	0	646	646
Funding provided by PCC to CC	104,109	0	0	0	104,109	0	104,109
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(47)	(47)
<b>Total operating expenses</b>	<b>107,762</b>	<b>0</b>	<b>2,777</b>	<b>(87)</b>	<b>110,452</b>	<b>18,995</b>	<b>129,447</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>101,346</b>	<b>0</b>	<b>2,777</b>	<b>(87)</b>	<b>104,036</b>	<b>(101,394)</b>	<b>2,642</b>

The comparative information for 2014/15 is as follows:

Reconciliation to Subjective Analysis	PCC Service £000s	PCC Services not in £000s	PCC Technical £000s	PCC Not included £000s	PCC Net Cost of £000s	PCC Corporate £000s	PCC Total £000s
Fees, charges & other service income	(4,619)	0	0	0	(4,619)	(12)	(4,631)
Interest and investment income	0	0	0	0	0	(155)	(155)
Income from council tax	0	0	0	0	0	(33,815)	(33,815)
Government grants and contributions	(1,060)	0	0	0	(1,060)	(85,203)	(86,263)
<b>Total Income</b>	<b>(5,679)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,679)</b>	<b>(119,185)</b>	<b>(124,864)</b>
Employee expenses	842	69	(67)	(24)	869	18	887
Other service expenses	1,155				1,155	15,169	16,324
Depreciation, amortisation and impairment	0	0	1,288	0	1,288	0	1,288
Interest Payments	0	0	0	0	0	659	659
Funding provided by PCC to CC	106,912	0	0	0	106,912	0	106,912
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(106)	(106)
<b>Total operating expenses</b>	<b>108,909</b>	<b>69</b>	<b>1,221</b>	<b>25</b>	<b>110,224</b>	<b>15,740</b>	<b>125,964</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>103,230</b>	<b>69</b>	<b>1,221</b>	<b>25</b>	<b>104,545</b>	<b>(103,445)</b>	<b>1,100</b>



### Police and Crime Commissioner for Cumbria Annual Governance Statement 2015/16



# Annex C – Annual Governance Statement

The Police and Crime Commissioner for Cumbria Annual Governance Statement 2015-16

## INTRODUCTION AND SCOPE OF RESPONSIBILITIES

The Police and Crime Commissioner for Cumbria (the Commissioner) is responsible for ensuring business is carried out in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

To meet this overall responsibility, the Commissioner has put in place proper arrangements for overseeing what we do. This is what we mean by governance. These arrangements are intended to make sure that we do the right things, in the right way and are fair, open, honest and accountable.

Our arrangements for governance are set out within a Code of Corporate Governance 'The Code'. The Code explains the way the Commissioner governs and the frameworks that are in place to support the overall arrangements for fulfilling his functions. The Code of Corporate Governance is available on the Commissioner's website and is published alongside the Annual Governance Statement.

This Annual Governance Statement (AGS) describes how the Commissioner has followed The Code. It also meets the requirements of regulation 6(1) and 10(1) of the Accounts and

Audit Regulations 2015. The regulations say that we must prepare and publish an Annual Governance Statement (AGS) to accompany the Commissioner's statement of accounts.

## THE AIM OF THE GOVERNANCE FRAMEWORK

The governance framework consists of the systems, processes, culture and values by which the Commissioner is directed and controlled and the activities through which the Commissioner gets involved with and leads the community. The framework enables the Commissioner to monitor the achievement of our aims and objectives and to consider whether those aims have led to the delivery of appropriate efficient and effective police, community safety and victim services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to assess the likelihood of those risks happening and what would take place if they did happen. This helps us to understand our risks and so we can manage them effectively, efficiently and economically.

The Commissioner is responsible for reviewing, at least annually, the effectiveness of his governance framework including the system of internal control.

# Annex C – Annual Governance Statement

## REVIEW OF EFFECTIVENESS

The key systems and processes that comprise the Commissioner's governance arrangements for 2015-16 have been guided by the six core principles of Corporate Governance from the CIPFA/Solace Governance Framework applicable to the 2015-16 financial year. This is the standard against which all local government bodies, including police, should assess themselves.

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of his governance framework including the system of internal control. The review of effectiveness is informed by the work of Chief Officers and senior managers who have responsibility for the development and maintenance of the governance environment. The review process comprises:

A cyclical detailed review of the key documents within the Commissioner's governance framework, e.g. Procurement Regulations, Scheme of Delegation, Code of Conduct. The review includes consideration of the documents by the Joint Audit and Standards Committee/Ethics and Integrity Panel, as appropriate, prior to their presentation to the Commissioner for approval.

An overarching review of the governance arrangements in place to support each core principle within the CIPFA Solace guidance. As part of this review the Commissioner's Code of Corporate Governance is updated to reflect changes in the governance framework and the implementation of the prior year AGS development plan. The review for 2015-16 has included the development of a new Code of Corporate Governance for 2016-17 reflecting the

### *Six Core Principles of Governance*

- 1. Focusing on the purpose of the Commissioner and the Force and on outcomes for the community, creating and implementing a vision for the local area*
- 2. Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles*
- 3. Promoting values for the Commissioner and demonstrating the values of good governance through upholding high standards of conduct and behaviour*
- 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk*
- 5. Developing the capacity and capability of the Commissioner and officers of the Commissioner to be effective*
- 6. Engaging with local people and other stakeholders to ensure robust public accountability*

publication by CIPFA of a new framework for Good Governance.

A review of the effectiveness of the arrangements for Internal Audit, undertaken by the Commissioner's Chief Finance Officer. The effectiveness of Internal Audit is considered against the Public Sector Internal Audit Standard

## Annex C – Annual Governance Statement

(PSIAS). The review supports a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control. The review is supported by consideration of the opinion of the Chief Internal Auditor on the Commissioner's control environment, as set out in her annual report.

A review of the effectiveness of the Joint Audit and Standards Committee is considered against CIPFA guidance on Audit Committees for Police. This is a self-assessment by the Committee and supported by the Commissioner's Deputy Chief Finance Officer. As part of the review consideration is given to assurance that can be provided by the Committee's annual work programme in evidencing the effectiveness of internal controls and as a contribution to the effectiveness of overall governance arrangements.

As part of the review process, the Annual Governance Statement is prepared by lead officers and presented in draft to the Commissioner's Internal Auditors and the Joint Audit and Standards Committee, alongside a report detailing the findings of the review. Whilst no significant governance issues have arisen as part of the review process, the Statement identifies areas for development and improvement. The AGS is approved by the Commissioner, the Chief Executive and the Chief Finance Officer prior to being issued alongside the draft unaudited Statement of Accounts.

The AGS remains under review during the audit of the financial statements. It is updated, where appropriate, following the audit, with consideration being given to the opinion of the External Auditor, expressed within her annual

Audit Findings Report and the External Auditor's value for money conclusion.

The following paragraphs set out the Governance Framework and how the Commissioner has complied with each of the six governance principles within the Code of Corporate Governance. A wide range of staff have contributed narrative for each section of this statement. This provides a lengthier document but one which values the input from members of our team and provides the reader with greater insight into the governance activity that has been carried out over the past year. Each section of the statement includes a commentary on areas for development and improvement that have been identified as part of the review process and are collated into the action plan appended to The Statement. The AGS also includes an update on the implementation of planned actions from the 2014-15 review, and how these were addressed as shown in the 2015-16 development plan update.



# Annex C – Annual Governance Statement

## Core principle 1: Focusing on the purpose of the Commissioner and

the Force, and on outcomes for the community, and creating and implementing a vision for the local area

*The Police and Crime Plan Vision is that “Cumbria remains a safe place to live, work and visit, where the public has a say in policing and organisations and community groups work together to address the causes of crime, as well as the consequences”*

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Police Reform and Social Responsibility Act (PR&SRA) requires the Commissioner to produce a Police and Crime Plan setting the vision and strategic direction for policing, crime reduction and community safety. In March 2013 the Commissioner launched his first Plan, and set out his intention to review it annually. The Commissioner has continued to engage and listen to members of the public in numerous events across the county and receives a significant number of issues raised in correspondence and through social media which help to influence key decisions. As we are in an election year the Police and Crime Plan, 'Making Cumbria an Even Safer Place' will remain in place until a new plan has been approved by the incumbent PCC. The priorities within the plan are to:

- Ensure Cumbria remains a safe place to live, work and visit by keeping crime at low levels, particularly violent crime and thefts;
- Reduce the impact antisocial behaviour has on our communities;
- Reduce the impact of alcohol misuse on our communities;
- Tackle the problem of drug supply in the county;
- Reduce the impact irresponsible driving has on our communities;
- Keep our rural communities safe by tackling crime and disorder in rural areas;
- Provide justice for the victims by detecting crime and bringing criminals to justice;
- Address offender behaviour to reduce adult and youth offending and reoffending;
- Establish a collaborative approach to providing support and assistance to vulnerable veterans to assist them to remain clear of criminal activity;
- Reduce harm by targeting domestic abuse and sexual violence;
- Reduce the harm caused by hate crime;
- Give due consideration to public opinion in policing matters;
- Ensure victims of crime have access to support and redress;
- Tackle the increasing incidence of cyber-crime;
- Deliver a county wide CCTV initiative.

Key performance indicators were set with the Chief Constable at the start of the financial year in support of the objectives within the Police and Crime Plan.

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During the year crime levels, public satisfaction and police performance have been regularly monitored and publically challenged through the Commissioner's Executive Board, regular performance review meetings and alongside audits and visits to departments. To promote openness and transparency, all Executive Board meetings have been advertised to allow members of the press and public to attend with agendas and papers published on the Commissioner's website

During the course of 2015-16 the Commissioner's Executive Board received Constabulary reports covering a range of areas of performance including Her Majesty's Inspectorate of Constabulary (HMIC) performance measures to assess police effectiveness, efficiency and legitimacy (PEEL). The PEEL assessments for 2015 were assessed as 'good' for legitimacy and efficiency and 'requires improvement' for effectiveness. The reports enable the Commissioner to hold the Chief Constable to account. They help inform revisions to existing priorities and the setting of new priorities to meet emerging trends and better support the delivery of outcomes. On 6<sup>th</sup> July 2016, the incoming Police and Crime Commissioner held his first Public Accountability Conference to hold the Chief Constable to account for the performance of the 2015/16 financial year. The OPCC chairs a multi-agency panel which scrutinises police use of out-of-court disposals. This has provided an effective framework for identifying good practice and checking on the appropriateness of the use of out-of-court resolutions, which support the reduction of reoffending and take account of victims' views. It has supported the improvement of processes and policies within the Constabulary.

The Commissioner's activities, performance and achievements are published in an annual report which is presented to the Police and Crime Panel prior to publication. The Commissioner's fourth and final annual report, covers the 12 months from 1st April 2015 to 31st March 2016. As a result of it being an election year the draft Annual Report was presented to the Police and Crime Panel for approval on 10 March 2016. The Annual Report was published on 10th May following the completion of purdah by the outgoing Commissioner. The Annual Report can be found on the Commissioner's website at [www.cumbria-pcc.gov.uk](http://www.cumbria-pcc.gov.uk). It highlights a number of key achievements including:

- Launch of a multi-agency county-wide digital CCTV system, the first of its kind in the country
- Launch of The Bridgeway bringing together forensic-medical, counselling and Independent Sexual Violence Advisors (ISVAs) to provide coordinated services for victims of rape and serious sexual assault
- Providing funding and support to establish Calderwood House, a hostel to support homeless people
- Commissioning a programme aiming to change the behavior of perpetrators
- Opened a new state-of-the-art police station for the community in Barrow.

Financial performance is set out in the Commissioner's Financial Statements which includes a more accessible summary statement. The 2014-15 unaudited financial statements were approved by the Commissioner's Chief Finance Officer on 28 May 2015, resulting in the early achievement of the future financial reporting requirements.

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*“Both the PCC and Chief Constable’s draft accounts were authorised for issue on 28 May 2015 which was a significant achievement”*

*Grant Thornton UK LLP Annual Audit Letter Oct 2015.*

This was noted in the External Auditor’s Annual Audit Letter as a significant achievement. The external auditors also noted the significant presentational changes made to the financial statements. In the opinion of the auditors this worked well in providing a clearer and easier to read set of accounts. The auditors commented that

the Commissioner continued to show strong financial resilience and good financial planning and management. The audit opinion confirmed that the Commissioner had proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

During 2015-16 work was undertaken to develop a Medium Term Financial Strategy. The strategy consolidates the annual medium term financial forecast and arrangements for financial governance with work to model the impact of assumptions and trends in income and expenditure. Within the context of the review of police formula funding it aims to provide an accessible narrative on financial risks and estimates alongside an assessment on the potential impact on staff and officer numbers. At the Executive Board meeting of 24th February 2015 the Commissioner set the 2015-16 annual budget and precept in the context of that strategy. In line with his duty to maintain the police force and the Police and Crime Plan priority to deliver effective policing, detect crime and bring criminals to justice, the Commissioner agreed funding of £112.5m for the Chief Constable for the 2015-16

financial year.

The budget included £2.7m funding for 2015-16 within a commissioned services budget for victims, community safety and crime reduction in partnership with the District and County Councils, Community Safety Partnerships and wider community and voluntary Sector groups. The arrangements for Commissioning and the issue of grants were codified within a Commissioning Strategy approved by the Commissioner at his Executive Board on 27 March 2014. The strategy is supported by a set of accompanying grant regulations.

During 2015-16 the Head of Partnerships and Commissioning has taken forward a range of partnership working initiatives to deliver the Commissioning Strategy and ensure arrangements are in place for victims support services in line with the Commissioner’s responsibilities. This work is supported by the Victims’ Advocate who has responsibility for the overall arrangements for victims including providing support for a Victims’ Charity. Wider victim referral services were relocated to Cumbria as from 01 April 2015.

During 2015-16 partnership and commissioning Funding was provided to support a range of sexual and domestic violence services and in excess of £100k of funding was awarded to community groups through the Commissioner’s community fund. The Commissioner’s funds and the process for allocation of grants within them has been developed to encourage and support the delivery of projects and services addressing issues identified in the Police and Crime Plan.



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In line with the Commissioner's grant regulations, a funding or grant agreement is in place with all partners that have been supported through the commissioned services budget. Each agreement clearly defines the purpose of the funding and sets out information and monitoring requirements to ensure funding is targeted on the agreed activities that support the priorities and outcomes within the Police and Crime Plan.

Following the publication in 2014 of 'Care, Consideration and a Voice for Victims', and 'Taking the Next Steps', the recommendations identified provided a clear focus of activity for the PCC and partners' work in key areas of the Police and Crime Plan: support for victims, domestic abuse, sexual violence and youth justice. Working with a wide range of partners, these reports identified areas for improvement in services and developed an evidence base to support future commissioning activity. The resulting action plans have identified clear responsibilities for making improvements in identified areas and governance processes have been put in place through partnership groups alongside the OPCC, to ensure their delivery. They have already resulted, amongst other areas, to improvements in services for domestic abuse victims through changes in the service commissioned during 2015 and to the firm commitment of partners to the delivery of a holistic service to victims of sexual violence, which will have a significant impact on reducing the harm caused by such crimes.

The Commissioner receives correspondence from members of the public on a variety of issues including complaints or dissatisfaction. These are dealt with in accordance with statutory legislation and agreed policy and procedures. Where issues

are identified they are raised with the Constabulary and where necessary steps are taken to ensure changes to services are made. During 2015-16 work has been undertaken to identify trends in complaints and these have been reported to the Commissioner's Executive Board. The trends are used to give feedback to the Constabulary to help to improve the standard of service received and influence future commissioning for areas which require additional support.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP1/1: Achieve publication of the audited financial statements by end July 2016.

CP1/2: During 2016-17 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Quality framework to support collaborative and partnership working in delivering improvements in services to victims and develop compliance with the Victims' Code of Practice.

CP1/3: Arrangements for scrutiny of Constabulary performance will be reviewed to ensure that robust arrangements are in place following the Police and Crime Commissioner Elections.





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### Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles

#### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA). The PRASA also sets out the function and roles of statutory officers, namely the Monitoring Officer (Chief Executive) and the Chief Finance Officer (CFO). The monitoring officer has specific legal, financial and governance duties in addition to a statutory responsibility for the lawfulness of decision making. The functions and roles set out in legislation and guidance are codified in the Commissioner's scheme of delegation. The scheme was revised during 2015-16 to take into account changes to reflect arrangements for business continuity and to align responsibilities for procurement with the review and update of the Commissioner's procurement regulations. The scheme has been subject to review by the Joint Audit and Standards Committee as part of the arrangement for reviews of governance.

The review of procurement regulations as part of those arrangements has resulted in the rules and guidance within the regulations being updated to incorporate the new requirements of the Public Contracts Regulations 2015. There have also been changes to how the procurement team engage with the business to support procurement activity, including a reduction in the financial threshold over which a procurement business partner will lead and support the procurement activity. This follows a restructuring of the team to consolidate procurement support and expertise and enhance

its role within the business as category managers, improving value for money.

During the year a formal review has been undertaken of the role of the Commissioner's Chief Finance Officer and the Head of Internal Audit (HIA) against the respective CIPFA statements. The self-assessments were subject to further review by the Joint Audit and Standards Committee. The outcome from the process has concluded that the Chief Finance Officer and HIA is fully compliant with the CIPFA role. The role of the Joint Audit and Standards Committee has also been reviewed during 2015-16 against the CIPFA guidance for Police Audit Committees. The overall conclusions from the assessment is that the committee is highly effective in its operation, evidencing substantial support, influence and persuasion in carrying out its functions.

The Commissioner continues to operate his statutory Independent Custody Visiting Scheme. During the course of the year a number of volunteers have been recruited across the four panels to maintain an overall number as close to forty eight as is possible. In the period 1 February 2015 to 31 January 2016 they made 191 visits, spoke to 221 detainees and observed a further 151 detainees. No serious issues were raised during any of the visits. The Animal Welfare Scheme, which looks at the welfare of police dogs, is composed of nine volunteers drawn from the ICV scheme who have been appointed to undertake this role. The Civil Nuclear Constabulary also utilise the nine volunteers from the Animal Welfare

## Annex C – Annual Governance Statement

Scheme to carry out a similar function for them. This arrangement works well to the mutual benefit of both Cumbria Constabulary and the Civil Nuclear Constabulary.

During the last year, the Commissioner has continued to build on partnership working to address priorities in the Police and Crime Plan, in addition to supporting and funding local agencies and groups to help tackle some of the priority areas. These activities have included:

- Continuing the role of Chair of the Safer Cumbria Partnership Delivery Group, to tackle crime and disorder bringing together public services such as councils, health, probation and voluntary groups.
- Working with partners on an action plan to tackle hate crime.
- Working with leaders and chairs of the county's key public and voluntary sector agencies as a member of the Cumbria Leaders' Board
- Working to help address alcohol, drug and mental health issues, often contributing factors in crime, through working jointly with Health and wider partners.
- Providing funding for Cumbria's three Community Safety Partnerships to tackle local issues in relation to crime and disorder, focusing on domestic violence, local crime prevention, and antisocial behaviour.
- Supporting community groups to reduce crime and tackle antisocial behaviour through a Police and Crime Property Fund, Community Fund and Innovation Fund.

The Commissioner's Executive Board continues to meet in public with meetings regularly attended by various representatives of the media and members

of the public. There is a facility for members of the public to ask questions of the Commissioner, which has been used by a one person in the course of the year. The incoming Commissioner elected in May 2016 has established a programme of Public Accountability Conferences continuing the commitment to public accessibility.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP2/1: Develop and introduce a new Code of Corporate Governance in response to the introduction of a new CIPFA Good Governance Framework and Guidance for Police expected in 2016-17.

CP2/2: The Commissioner is working with health and local government partners to improve services for victims with mental health issues. Supported by the PCC, the Office of the Police and Crime Commissioner has secured funding from the Home Office Innovation Fund for the development of a multi-agency assessment and crisis centre.

CP2/3: Building on the work of the OPCC and partners during 2015-16 to embed Victim led Restorative Services, the OPCC will work with partners to increase the use of quality Restorative Justice through the ongoing development of a multi-agency approach.

CP2/4: During 2016-17 the OPCC will work with the newly elected PCC to develop and deliver a new Police and Crime Plan.

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Core Principle 3: Promoting values for the Commissioner and demonstrating the values of good governance through upholding high standards of conduct and behaviour

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

2015-16 was the first full year of operation for the Ethics and Integrity Panel. During the year the Panel have carried out a number of dip samples of different areas of business, including complaints, police misconduct and staff misconduct cases to support high standards of ethics and integrity. The findings of that work, including recommendations, have been reported on a quarterly basis to the Commissioner's Executive Board to improve transparency and support public scrutiny. The Joint Audit and Standards Committee received the 2015-16 annual report of the Ethics & Integrity Panel in May 2016 to support assurances in respect of arrangements for standards and ethical governance.

As part of their work the panel has made a number of recommendations adopted by the Constabulary that aim to improve the quality of communications and public satisfaction in the complaints process. The work of the Panel has also resulted in improvements to the standards of case files for complaints which now document organisational learning arising from the complaint and how this has been disseminated to individuals and across the organisation. Misconduct files have been improved to document full audit trails that include identified welfare issues, return to work process and details of any Management Action. The Panel

have also been asked to specifically review and provide feedback on the Constabulary's Performance

Discretion Framework which was introduced as part of the new Command and Control system. Following a HMIC review of Stop and Search the Panel were consulted regarding the data recorded for such searches and provided feedback to the Constabulary on their findings. They will review this area of business again in August 2016 following training being provide to all officers.

As part of the arrangements for complaints, the Commissioner receives letters directly from members of the public. In 2015 he received 12 complaints, 11 of which were passed to the Constabulary to respond to as they were regarding matters beyond his jurisdiction. Of the remaining complaint it was determined that the issues raised were not personal conduct matters.

During the same period the Commissioner received 291 letters of dissatisfaction raised by members of the public regarding the Constabulary and policing issues. These issues were raised with the Constabulary and monitored by OPCC staff to ensure a timely and appropriate solution was found. Complaints made against the Police and

*During 2015-16 the Ethics and Integrity Panel was able to make a number of recommendations that aim to improve the quality of communications and public satisfaction in respect of complaints.*

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Crime Commissioner are dealt with by the Police and Crime Panel. During 2015-16 the panel received one complaint which was dealt with by way of a letter of explanation. Letters of compliment were also received from members of the public for the assistance provided by the Police and Crime Commissioner and members of staff.

In respect of the arrangements for standards, ethics and integrity, the Chief Executive is able to confirm that since the inception of the Office of the Police and Crime Commissioner, no complaints have been received from any member of staff or secondee in relation to the Commissioner. Neither has any complaint been made by the Commissioner about any member of staff. In respect of the period from 1st April 2015 to the date of issuing this statement, no issues have been raised with the Joint Audit and Standards Committee in respect of the operation of the Commissioner's Codes of Conduct/Protocols and the Committee has not received any appeals in relation to these matters.

The Commissioner has in place arrangements for anti-fraud and corruption. The arrangements in place during 2015-16 have been subject to internal review by the Deputy Monitoring Officer, with the outcome of that review reported to the Joint Audit and Standards Committee in May 2016. The review has concluded that arrangements are effective. The prior year cyclical audit concluded that there is substantial assurance in respect of the arrangements for anti-fraud and corruption and noted as a strength the clear promotion of high standards of integrity and ethical behaviour. Whilst fraud risk remains low within the OPCC office, matters of integrity have been re-enforced

in support of the aim of ensuring a high degree of awareness amongst staff in respect of appropriate conduct and behaviours. The Deputy Monitoring Officer has issued a monthly reminder to staff in respect of recording gifts and hospitality and/or supplier contact. Completed registers have been published on the Commissioner's website on a monthly basis and the Deputy Monitoring Officer has undertaken dip sampling between the registers and contracting activity.

In support of the requirements for audit of the financial statements, the Commissioner has submitted to the External Auditor the 2015-16 fraud risk assessment providing further assurances in respect of the arrangements to protect against fraud and corruption. Management assurance was further supported through the completion by the Commissioner and all staff of a register of interests form and a declaration of related party transactions. These forms were reviewed by the Chief Executive and Chief Finance Officer. The Register of Interests are published on the Commissioner's website for openness and transparency.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP3/1 During 2016-17 the scope and remit of the Ethics and Integrity Panel will be reviewed to maximise its on-going impact in improving arrangements for Ethics and Integrity.

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Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Commissioner makes decisions in line with his decision making policy which adheres to the Good Governance Standard for Public Services and the Good Administrative Practice 2. During the 2015-16 financial year the Commissioner made 46 decisions that have all been recorded and published on the Commissioner's website. The range of decisions made included finance and budget, estate, policies, police and crime plan, annual report, policing services and commissioning. All methods of communication such as media, social media and newsletters are used to further inform the public of key decisions.

Quality of Service Issues and Complaints play a significant role in influencing future decisions. The Commissioner is directly involved in many of the engagement activities and is aware of the issues being raised by members of the public. The Office of Public Engagement on a regular basis formally reports to the Commissioner's Executive Board identifying trends and linking to the development of the Police and Crime Plan.

The Office of Public Engagement is instrumental in influencing key decision making within the OPCC. The Commissioner carried out a wide range of public engagement events over the year to provide as many opportunities as possible for the public to engage with him, through a diverse range of communication and engagement methods. In 2014, an extensive public consultation was carried out regarding the setting of the police council tax

precept. To give additional context, local residents were also surveyed about their knowledge of what local police do; their satisfaction with Cumbria police; and recent contact with the police. This significant consultation was undertaken with a view of giving peoples view over a two year period and was used to inform the Commissioner's decision for the 2015-16 council tax precept and on the decisions taken in February 2016 for the 2016-17 precept and budget.

The Police and Crime Panel have met five times during 2015-16. All meetings are held in public, providing an open and transparent process for scrutinising the decisions and work of the Commissioner. The work programme of the Panel during 2015-16 placed a significant focus on the commissioning elements of the Police and Crime Plan and the implications for Cumbria of the Home Office Police Formula Funding Consultation. On January 25th 2016 the Panel considered the matter of the Commissioner's proposed precept. As part of this process the panel held a seminar meeting to undertake detailed scrutiny of revenue and capital budget plans, plans for savings proposals and the Commissioner and Constabulary's performance in delivering efficient and effective policing during 2015-16. The Panel decision was that they support the proposed police precept without qualification or comment.

The Joint Audit and Standards Committee has conducted five public meetings during 2015-16 and undertaken a significant amount of work to scrutinise and make recommendations in respect

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of the Commissioner's arrangements for governance and the management of risk. This has included scrutiny of the Procurement Regulations, Code of Corporate Governance, Risk Management Strategy, Internal Audit Charter, Treasury Management Strategy, Statement of Accounts and Annual Governance Statement.

During 2015-16 work has been undertaken to develop the arrangements for risk management. This included making improvements to the arrangements for the Commissioner's risk registers, determining risk appetite, revising the methodology for scoring risks and developing the Risk Management Strategy in the context of this work. The process was supported by a CIPFA accredited trainer and the lead member for risk from the Joint Audit and Standards Committee. During the year, the Commissioner has received and scrutinised a quarterly report presented by the Chief Constable in respect of the Constabulary's management of strategic risks to enable the Commissioner to have oversight and scrutiny of the risks facing the Constabulary.

The Commissioner's arrangements for Risk Management include procedures for Business Continuity. During 2015-16 the Commissioner's business continuity arrangements were reviewed and a programme for updating and testing the business continuity plan was initiated. During the course of this review internal audit inspected the arrangements and made a number of recommendations for improvement. The new, fully codified processes and procedures for business continuity were reported to the Commissioner's Executive Board in July 2015 and have been tested to ensure they are working effectively.

Arrangements for Risk Management have been further assured through the delivery of the 2015-16 Internal Audit Plan. The Plan was developed on a risk based approach and substantially increased the number of days of audit work during the year from 180 to 232 as a consequence of widening the areas of audit coverage in line with the public sector audit standard. Of the 17 audits conducted, all other than one have received either reasonable or substantial assurance. The Audit Plan provides the basis for the Chief Internal Auditor's overall opinion on the control environment. The internal audit annual report for 2015-16 concludes that the Commissioner's frameworks for governance, risk and internal control are reasonable and that audit testing has confirmed that controls are generally working effectively in practice. During 2015-16 the Joint Audit and Standards committee have received quarterly reports monitoring the implementation of all audit recommendations.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP4/1: To ensure the continued effectiveness of the Joint Audit and Standards Committee as a scrutiny body, the programme of training/development activity for 2016-17 will include the design and delivery of a session on the incoming Commissioner's Police and Crime Plan.

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### Core Principle 5: Developing the capacity and capability of the Commissioner and officers of the Commissioner to be effective.

#### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

A number of arrangements have been in place during 2015-16 to support the capacity and capability of the Commissioner and his Office. These include the receipt of regular APCC briefings in addition to guidance, codes of practice, regulations and legislation from a range of national bodies and organisations. Significant publications have included Grant Thornton's 'knowing the Ropes – Audit Committee Effectiveness Review 2015', CIPFA publications consulting on proposed changes to the Local Government Good Governance Framework and the new Accounts and Audit Regulations 2015.

The Chief Executive is further supported through the Association of Police and Crime Commissioner Chief Executives (APACCE). To provide peer support, APACCE members have developed a directory setting out the specialist subject matter areas of each member. At their regular meetings APACCE have also provided a forum to deliberate on key issues for the development and enhancement of the role of Police and Crime Commissioners. Advice and support is also available through the regional (North West and North Wales) Chief Executives Group, which meets on a quarterly basis. This Group has been chaired by Cumbria's Chief Executive during 2015-16. In addition the North West Joint Oversight Committee of Police and Crime Commissioners continues to meet regularly to take forward collaboration between forces and OPCCs in the region.

The delivery of a Corporate Development Day was held for all staff within the COPCC as part of the development of the COPCC's Business Plan. A Development Day was also held for all staff as part of the process for reviewing the Commissioner's risk management processes and procedures, together with a separate session for the Executive Team on strategic risk. All of these sessions were facilitated by a CIPFA accredited trainer.

The Chief Finance Officer continues to receive support from the Police and Crime Commissioner's Treasurer's Society (PaCCTS) and the associated technical information service. During 2015-16 this has included significant briefing and analysis of the proposed changes to Police Formula Funding, the 2015 Comprehensive Spending Review and 2016-17 Police Grant settlements. Officers within the finance team have attended annual technical update and development events run by CIPFA. This has included CIPFA's 2015 Developments in Police Finance Forum's at which the CFO and Deputy CFO were invited to present on early financial closedown.

The Chief Finance Officer and finance staff with treasury management responsibilities have held quarterly briefing meetings with Arlingclose, the Commissioner's external treasury management advisors. This facilitates a high level of awareness within the team of the current economic climate and regulatory changes, both of which impact on the risks and opportunities for counter-party investment. Arlingclose also delivered a seminar on 9th March 2016 for members of the Joint Audit



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and Standards Committee prior to their scrutiny of the Treasury Management Strategy. Further specialist advice has been received from the Commissioner's Insurance brokers in respect of the annual renewals on insurance. This advice has supported decision making during 2015-16 in respect of increasing the level of employee/public liability insurance cover and supported a more detailed review and decision making on insurances not currently taken on the basis of cost and risk.

The Office of Public Engagement has continued to develop its range of effective community engagement methods, to ensure all sections of the community are reached. The Commissioner worked with a number of Neighbourhood Forums run by the County Council to capitalise on their tried and tested format and ensure good attendance.

The Commissioner, through his Victim's Advocate, created a Victim's Consultation Group, who operate in a 'focus group' style to look in depth at certain policy issues at the time of policy formation. This year the Group contributed to the development of the Cumbria Together website, which is an information portal aimed at sign-posting victims to where they can get help, support and guidance. The Group also contributed to the development of the Bridgeway and emerging themes and priorities for the new Police and Crime Plan. The internal restructure that took place in 2014 placing more emphasis on partnerships, victims support and victim's advocacy has embedded well during 2015-16. The capacity and skills are now in place to ensure that the Commissioner's wider responsibilities for

community safety, enhancing criminal justice and supporting victims are met.

All staff within the office participate in a personal development review process to ensure they have the skills to be effective in their roles. Staff also have regular one-to-one sessions with their line manager. Specific training has been provided for staff in the areas of advanced Microsoft Word, Excel, Freedom of Information, media management, project management, risk management, coaching and fire safety.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. Against the self-assessment checklist the committee achieves a consistent grade of 4 or 5 (against a maximum of 5) across all areas. For those functions not included within the checklist, incorporating the wider functions of the committee, there is evidence to demonstrate compliance with CIPFA guidance and elements constituting best practice. The review confirmed that the Committee has during 2015-16 implemented areas identified for developed from the 2014-15 review. Further areas for development are identified for 2016-17 to provide for continuous improvement. The full report of the Committee can be found on the Commissioner's website at:

<http://www.cumbria-pcc.gov.uk/governance-transparency/audit-committee.aspx>.

There have been a significant number of changes of personnel on each of the Custody Visiting Panels during this year and the Scheme Administrator has run a number of recruitment campaigns to attract

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new candidates for appointment. Induction training courses have been run for newly-appointed visitors in Workington, Barrow, Carlisle and Penrith throughout 2015-16. Membership of the four panels at the end of 2015-16 stood at Barrow 10; Kendal 8; North Cumbria 12 and West Cumbria 11.

The Cumbria ICV Annual Conference was held on Saturday 25th April 2015 with 31 Custody Visitors attending. The Commissioner opened the conference and held a question and answer session along with the Chief Constable. Among the topics this year was: Changes within Custody; Suicide Awareness Training and Healthcare in Custody. The delegates undertook a number of workshop exercises focusing on developing good practice in Custody Visiting and a series of scenario discussions aimed at improving practice in the Cumbria ICV scheme.

In addition to the Cumbria Conference, a number of ICV's attended the Regional Conference held on 24 October 2015. The event covered a range of issues including Vulnerable People in Custody; Learning Disabilities and Difficulties in Custody; the Liaison and Diversion programme for Mentally Disordered Offenders.

During 2015-16 the Ethics and Integrity Panel has developed and enhanced its role. This has included

undertaking "deep dives" of specific areas of activity such as Stop and Search and contributing to reviews of ways of working within the Constabulary, such as the changes introduced within the Constabulary's Communication Centre. This work has led to recommendations being made to the Constabulary with a view to the enhancement and/or improvement of the service. Stop and Search will be reviewed in August 2016 to gauge progress. In undertaking these new activities the focus has been on the ethical implications of the proposals or the way in which the activity is undertaken.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP5/1: Arrangements for induction of new Joint Audit and Standards Committee members will be developed and formalised. This will include an operational development day with the Constabulary to which all members will be invited.

CP5/2: Undertake a review of the arrangements for Independent Custody Visiting within Cumbria, fully engaging with the Independent Custody Visitors as part of that review.



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### Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

#### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Policing Protocol Order highlights the accountability of the Police and Crime Commissioner to local people. This responsibility is delivered through an Office of Public Engagement to ensure a wide range of engagement approaches so that the Commissioner actively listens, considers and effectively uses the views of the people of Cumbria and is accountable. During 2015-16, the Commissioner has:

- Spoken to the public at more than 100 public engagement events, ranging from public meetings, surgery style events, 'drop-ins' at supermarket cafés, walkabouts with Constabulary Neighbourhood Policing Teams;
- Attended a number of county council neighbourhood forums, community meetings, parish councils, meetings with various groups i.e. businesses, youth, and agricultural shows;
- Attended a significant number of meetings with local councillors, leaders and MPs;
- Sponsored and spoke at the Cumbria Neighbourhood Watch Association annual conference, where the theme was Local Resilience;
- Worked with the National Rural Crime Network (NRCN) to highlight national the issues with rural crime and contribute to the largest rural crime survey to ascertain the levels of rural crime and how the police can better serve rural communities;
- Sponsored and attended the 'Know Your Criminal Justice Day', run in collaboration with

People First, the Crown Prosecution Service, Cumbria Constabulary and HM Courts Services, aimed at helping those with learning and physical disabilities understand how to report hate crime and what they can expect of the criminal justice system, with the aim of encouraging the reporting of hate crime incidents;

- Awarded a grant to Young Cumbria to consult with young people about how the police interact with them and what needs to be improved;
- Published online and circulated by email and community messaging, a regular newsletter, and contributed to other newsletters;
- Taken part in a wide range of media activities and interviews through a range of communication methods;
- Conducted surveys on rural crime, and policing priorities, through a mixture of both online and face-to-face methods during themed engagement events;
- Promoted events and activities and maintained a presence using social media i.e. Twitter and Facebook;
- Responded to over 291 'Quality of Service' complaints from members of the public.

During the course of the year the Commissioner has engaged with the Police and Crime Panel as part of the review processes for the Police and Crime Plan.

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The Panel has developed jointly with the Commissioner a programme to support engagement and accountability in respect of priority areas from within the Plan. During 2015-16 the panel focused accountability on the two thematic areas, these being: 'Victims: Ensure victims of crime have access to support and redress'; Domestic Abuse, Sexual Violence and Hate Crime: reduce harm by targeting domestic abuse and sexual violence, reduce harm caused by hate crime. The panel has received regular reports on the work, activity and outcomes in respect of these themes and has provided scrutiny and support in respect of the on-going delivery of these priorities.

During 2015-16 the Commissioner has also prepared for publication the final annual report of his term of office. The annual report, entitled "Making Cumbria an Even Safer Place", includes information on how the Commissioner has responded to issues raised during community engagement activity and how engagement has informed future priorities.

As part of the arrangements for financial accountability, the Commissioner's audited accounts for the 2014-15 financial year were signed by the independent auditors and published on the Commissioner's website. The auditor's opinion was that the Statements provided a true and fair view of the financial position and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting. The auditors further confirmed in their Audit Findings Report a positive conclusion with regards to securing value for money. Throughout the year the Commissioner has

published financial monitoring information that reports progress in respect of the capital and revenue budgets and treasury management activities for 2015-16.

To further support public accountability a range of information has been made available through the Commissioner's website over the course of the year. This has included agenda and reports for the public Executive Board meetings and the Joint Audit and Standards Committee, guidance and application packs for the Commissioner's three funds, Freedom of Information disclosure logs, financial information and strategies. In the latter part of 2015-16 a section of the website has been developed to provide information relevant to potential candidates for the Police and Crime Commissioner elections to be held in May 2016.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP6/1 Develop a new Office of Public Engagement strategy to ensure it embraces the new Commissioner's vision for engaging with local people and stakeholders.

CP6/2 Following the Police and Crime Commissioner elections in May 2016 wider engagement activity will take place with a range of partners/stakeholders as part of the process to develop and implement the new Police and Crime Plan and Partnership Strategy.

CP6/3 Following the Police and Crime Commissioner Elections in May 2016 and subsequent work to develop the new Police and Crime Plan the Commissioning strategy will be reviewed to ensure that commissioning intentions reflect manifesto priorities.

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## APPENDICES TO THE ANNUAL GOVERNANCE STATEMENT

- Appendix A: 2016-17 Development And Improvement Plan
- Appendix B: 2015-16 Development And Improvement Plan Update

## FURTHER INFORMATION

Further information on the arrangements for Governance can be found on the Commissioner's website under the tab headed Governance and Transparency.

We welcome your views on the Commissioner's Annual Governance Statement. You can do this by using the contact information below:

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Police and Crime Commissioner for Cumbria

\*Stuart Edwards  
Chief Executive

\*Ruth Hunter  
Chief Finance Officer/ Deputy Chief Executive

\*Signatures are removed for the purposes of Publication on the website

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## APPENDIX A: 2016-17 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Responsibility	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.		
CP1/1	Achieve publication of the audited financial statements by end July 2016.	Chief Finance Officer	31 July 2016
CP1/2	During 2016-17 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Quality framework to support collaborative and partnership working in delivering improvements in services to victims and develop compliance with the Victims' Code of Practice.	Head of Partnerships and Commissioning	31 March 2017
CP1/3	Arrangements for scrutiny of Constabulary performance will be reviewed to ensure that robust arrangements are in place following the Police and Crime Commissioner Elections. Achieved, first Public Accountability Conference held 6 <sup>th</sup> July 2016.	Head of Partnerships and Commissioning	31 July 2016
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.		
CP2/1	Develop and introduce a new Code of Corporate Governance in response to the introduction of a new CIPFA Good Governance Framework and Guidance for Police expected in 2016-17.	Chief Executive/Chief Finance Officer	30 June 2016
CP2/2	The Commissioner is working with health and local government partners to improve services for victims with mental health issues. Supported by the PCC, the Office of the Police and Crime Commissioner has secured funding from the Home Office Innovation Fund for the development of a multi-agency assessment and crisis centre.	Head of Partnerships and Commissioning	31 March 2018
CP2/3	Building on the work of the OPCC and partners during 2015-16 to embed Victim led Restorative Services, the OPCC will work with partners to increase the use of quality Restorative Justice through the ongoing development of a multi-agency approach.	Head of Partnerships and Commissioning	31 March 2017
CP2/4	During 2016-17 the OPCC will work to support the newly elected PCC to develop and implement a new Police and Crime Plan	Head of Partnerships and Commissioning	31 December 2016
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.		

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CP3/1	During 2016-17 the scope and remit of the Ethics and Integrity Panel will be reviewed to maximise its on-going impact in improving arrangements for Ethics and Integrity.	Chief Executive	30 March 2017
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.		
CP4/1	To ensure the continued effectiveness of the Joint Audit and Standards Committee as a scrutiny body, the programme of training/development activity for 2016-17 will include the design and delivery of a session on the incoming Commissioner's Police and Crime Plan.	Head of Partnerships & Commissioning/ Chief Finance Officer	30 September 2016
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.		
CP5/1	Arrangements for induction of new Joint Audit and Standards Committee members will be developed and formalised. This will include an operational development day with the Constabulary to which all members of JASC will be invited.	Chief Finance Officer	30 September 2016
CP5/2	Undertake a review of the arrangements for Independent Custody Visiting within Cumbria, fully engaging with the Independent Custody Visitors as part of that review.	Chief Executive	30 March 2017
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.		
CP6/1	Develop a new Office of Public Engagement strategy to ensure it embraces the new Commissioner's vision for engaging with local people and stakeholders.	Head of Communications and Business Services	30 September 2016
CP6/2	Following the Police and Crime Commissioner elections in May 2016 wider engagement activity will take place with a range of partners/stakeholders as part of the ongoing process to develop and implement the new Police and Crime Plan and Partnership Strategy.	Head of Partnerships and Commissioning	31 December 2016
CP6/4	Following the Police and Crime Commissioner Elections in May 2016 and subsequent work to develop the new Police and Crime Plan the commissioners commissioning strategy will be reviewed to ensure that commissioning intentions reflect manifesto priorities.	Head of Partnerships and Commissioning	31 December 2016



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## APPENDIX B: 2015-16 DEVELOPMENT AND IMPROVEMENT PLAN UPDATE

Ref	Action	Action Update	Responsibility	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.			
CP1/1	Preparation for earlier financial accounts deadlines: Achieve unaudited publication by 4 <sup>th</sup> June/audited publication by 10 <sup>th</sup> September.	<b>Partially Achieved:</b> Unaudited accounts published on 28 <sup>th</sup> May 2015. Audited accounts achieved a deadline of 23 <sup>rd</sup> September. This was as a result of national technical issues beyond the control of the Commissioner/Local Audit team.	Chief Finance Officer	Sept 2015
CP1/2	Work to develop financial models to respond to the funding announcements expected following the general election will continue during 2015-16 as further information is received on the new police funding formula and the 2015 comprehensive spending review	<b>Achieved.</b> A number of funding models were developed during the Summer in response to the Home Office Police Funding consultation. These have been incorporated within the 2016-2020 medium term financial strategy.	Chief Finance Officer	Dec 2015
CP1/3	During 2015-16 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Strategy to support collaborative and partnership working.	<b>Partially achieved.</b> A draft strategy has been produced. As we are in an election year further work on the strategy will take place following the May 2016 election to ensure that the priorities of the incumbent PCC are reflected in any future partnership and collaborative working	Head of Partnerships and Commissioning	March 2016
CP1/4	Arrangements for scrutiny of Constabulary performance reports will be reviewed to facilitate OPCC officer input and review prior to presentation at the Executive Board.	<b>Achieved.</b> Arrangements have been reviewed and include support and dialogue with the Office of the Police and Crime Commissioner regarding the requirements and content of reports. Once completed reports are tabled at the Accountability Board for scrutiny by constabulary and Office of the Police and Crime Commissioner.	Head of Partnerships and Commissioning	March 2016
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.			
CP2/1	Work with partners to deliver a sexual assault referral centre and joined-up system of follow-up health and emotional support services.	<b>Achieved.</b> The Bridgeway Sexual Assault Referral Centre was formerly opened in December 2015. Support Services for ISVA and Counselling have been	Head of Partnerships and Commissioning	March 2016

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		commissioned.		
CP2/2	Building on the work of the OPCC and partners, develop Victim led Restorative Services	<b>Achieved.</b> The RJ HUB delivering Victim led restorative services is operational. A provider has been commissioned to take the RJ model forward.	Head of Partnerships and Commissioning	March 2016
CP2/3	Work with partners to develop and deliver a Victim and Witness Strategy to deliver improvements in services to victims and develop compliance with the Victims' Code of Practice.	<b>Partially achieved.</b> A Victims and Witnesses Needs Assessment has been completed. As we are in an election year further work will take place following the May 2016 election to ensure that the priorities of the incumbent PCC are reflected in any future work that supports services for victims and witnesses.	Head of Partnerships and Commissioning	March 2016
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.			
CP3/1	Update and develop policy and guidance arrangements for complaints to ensure arrangements are accessible and to encourage a positive culture for receiving and addressing issues that have given rise to a complaint.	<b>Achieved:</b> During 2015 – 16 work has been undertaken to ensure the correct guidance and procedures are in place to ensure complaints are dealt with fairly and robustly.	Head of Communications and Business services	March 2016
CP3/2	Develop arrangements for complaints in respect of national proposals regarding changes to the police complaints system.	<b>Achieved:</b> The OPCC has taken part in the consultation, the recruitment process and will continue to monitor as this new process embeds.	Head of Communications and Business services	March 2016
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.			
CP4/1	Establish a training and development programme for Joint Audit and Standards Committee Members within the Committee's annual work programme.	<b>Achieved:</b> During 2015-16 members have undertaken training/development including treasury management, police crime recording, and the medium term financial strategy and change programme. JASC agenda's include a Corporate Update to ensure members are briefed on current/topical issues pertinent to Governance.	Chief Finance Officer	June 2015
CP4/2	Further develop arrangements for risk management including review of risk registers, scoring methodology, risk appetite and the risk management strategy	<b>Achieved:</b> During 2015-16 arrangements for risk management - including review of risk registers, scoring methodology, risk appetite and the risk management	Chief Executive	Sept 2015

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		strategy – have been reviewed and re-written. This process was facilitated by a CIPFA accredited trainer and involved all the staff of the COPCC.		
CP4/3	Arrangements will be made to formally codify all elements of the Commissioners business continuity arrangements and initiate a programme for updating and testing the business continuity plan.	<b>Achieved:</b> The OPCC Business Continuity plan is now an embedded policy within the Office. The Business Continuity plans were approved at the March Executive Board.	Head of Communications and Business services	Sept 2015
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.			
CP5/1	Complete work supported by North West employers to implement a bespoke suite of Human Resource Policies appropriate to the management of the Commissioner's office.	<b>Achieved:</b> The HR policies are now completed and fully functional.	Head of Communications and Business services	March 2016
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.			
CP6/1	During 2015-16 work will be undertaken to improve the quality of engagement with and reporting to the Police and Crime Panel, with a focus on member's contribution to the development of priorities for the new Police and Crime Plan.	<b>Achieved:</b> An annual programme of work has been developed and considered by the Police and Crime Panel. Implementation of the programme of work has included consultation with the panel on the development of the new Police and Crime Plan.	Head of Partnerships and Commissioning/ Head of Communications and Business services	May 2016
CP6/2	During 2015-16 wider engagement activity will take place with a range of partners/stakeholders as part of the process to develop the new Police and Crime Plan.	<b>Achieved:</b> A programme of engagement activity has taken place to develop themes and priorities as part of the process to develop the new Police and Crime Plan. This includes – focus groups, a stakeholder event and completion of a victims and witnesses needs assessment.	Head of Partnerships and Commissioning/ Head of Communications and Business services	May 2016

