

Enquiries to: Mrs D Masters
Telephone: 0300 1240113
ext. 48071

Our reference: DM

Date: 12 July 2017

AGENDA

TO: THE MEMBERS OF THE JOINT AUDIT AND STANDARDS COMMITTEE

CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT AND STANDARDS COMMITTEE

A Meeting of the Joint Audit & Standards Committee will take place on **Friday 21st July 2017** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **10:30am**.

S Edwards
Chief Executive

Note: Members are advised that allocated car parking for the meeting is available in the Visitors Car Park.

Please note – there will be a private members meeting with External Audit from 9.30am – 10.15am

COMMITTEE MEMBERSHIP

Mrs Fiona Daley (Chair)
Mr Jack Jones
Ms Fiona Moore
Mr Malcolm Iredale

AGENDA

PART 1 – ITEMS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

1. APOLOGIES FOR ABSENCE

2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC

To consider (i) any urgent items of business and (ii) whether the press and public should be excluded from the Meeting during consideration of any Agenda item where there is likely disclosure of information exempt under s.100A(4) and Part I Schedule A of the Local Government Act 1972 and the public interest in not disclosing outweighs any public interest in disclosure.

3. DISCLOSURE OF PERSONAL INTERESTS

Members are invited to disclose any personal/prejudicial interest, which they may have in any of the items on the Agenda. If the personal interest is a prejudicial interest, then the individual member should not participate in a discussion of the matter and must withdraw from the meeting room unless a dispensation has previously been obtained.

4. MINUTES OF MEETING AND MATTERS ARISING

To receive and approve the minutes of the committee meeting held on 24 May 2017.

5. ACTION SHEET

To receive the action sheet from previous meetings.

6. CORPORATE UPDATE

To receive a briefing on matters relevant to the remit of the Committee.

7. INTERNAL AUDIT – PROGRESS REPORT

To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.

(To be presented by the Audit Manager)

8. INTERNAL AUDIT REPORT(S)

To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee.

(To be presented by the Audit Manager)

- (i) Command and Control
- (ii) Annual Governance Statement 2016/17

9. STRATEGIC RISK REGISTER

- (i) To consider the COPCC strategic risk register as part of the Risk Management Strategy.
(To be presented by the Governance & Business Services Manager)
- (ii) To consider the CC strategic risk register as part of the Risk Management Strategy.
(To be presented by the Deputy Chief Constable)

10. MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS

To receive an updated summary of actions implemented in response to audit and inspection recommendations.
(To be presented by the Joint Chief Finance Officer)

11. AUDIT FINDINGS REPORT

To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion.
(To be presented by Grant Thornton)

12. ASSURANCE FRAMEWORK STATEMENT OF ACCOUNTS

To receive a report from the Joint Chief Finance Officer in respect of the PCC's and CC's framework of assurance.
(To be presented by the Joint Chief Finance Officer)

13. ANNUAL STATEMENT OF ACCOUNTS

To receive the audited Statement of Accounts for the Commissioner and Chief Constable and Group Accounts and consider a copy of a summarised non-statutory version of the accounts.

- (i) PCC for Cumbria Statement of Accounts 2016/17
- (ii) CC for Cumbria Constabulary Statement of Accounts 2016/17
- (iii) PCC for Cumbria Summary Statement of Accounts 2016/17
- (iv) CC for Cumbria Constabulary Summary Statement of Accounts 2016/17
- (v) PCC for Cumbria Summary Annual Governance Statement 2016/17
- (vi) CC for Cumbria Constabulary Summary Annual Governance Statement 2016/17

(To be presented by the Joint Chief Finance Officer & the Deputy Chief Finance Officer)

14. JOINT AUDIT AND STANDARDS COMMITTEE - ANNUAL REPORT

To receive an annual report of the Committee. Once approved this annual report will be presented to the Police and Crime Panel by the chair of JASC.
(To be presented by the Deputy Chief Finance Officer)

Future Meeting Dates (For Information)

13 September 2017 @ 10:00 - Conference Room 2
 22 November 2017 @ 10:00 - Conference Room 2
 21 March 2018 @ 10:00 - Conference Room 2

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Agenda Item 4

CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY

JOINT AUDIT & STANDARDS COMMITTEE

Minutes of a Joint Meeting of the Joint Audit & Standards Committee and the Police and Crime Commissioner held on Wednesday 24th May 2017 in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 10.30 am

PRESENT

Mrs Fiona Daley (Chair)
Mr Malcolm Iredale
Mr Jack Jones
Ms Fiona Moore

Also present:

Deputy Chief Finance Officer (Michelle Bellis)
Governance & Business Services Manager (Joanne Head)
Principal Financial Services Officer - Capital & Technical (Lorraine Holme)
Constabulary Chief Finance Officer (Roger Marshall)
Financial Services Officer (Dawn Masters)
Senior Manager, Grant Thornton (Richard McGahon)
Group Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Niki Parker)
Deputy Chief Constable (Michelle Skeer)
Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Emma Toyne)

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

315. APOLOGIES FOR ABSENCE

Apologies for absence were received from the Grant Thornton Associate Director (Robin Baker).

316. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC

There are no items of urgent business or exclusions of the press and public to be considered by the Committee.

317. DISCLOSURE OF PERSONAL INTERESTS

There were no disclosures of any personal interest relating to any item on the Agenda.

318. MINUTES OF MEETING AND MATTERS ARISING

The minutes of the meeting held on 15th March 2017 had been circulated with the agenda. The minutes were first reviewed for factual accuracy and approved as a true record of the meeting by the committee.

RESOLVED, that, the minutes of the meeting held on 15th March 2017 be approved.

319. ACTION SHEET

The action sheet of the meeting held on 15th March 2017 had been circulated with the agenda. The following comments were made.

- Action 233 – An update will be provided as part of the Corporate Update.
- Action 308 – Revised target date for the implementation of the recommendation relating to the Self Service Travel Expenses and Overtime audit have been put in place. One was in February 2017 and the remainder at the end of the month. An update will be provided at the July 2017 Joint Audit and Standards Committee meeting.

RESOLVED, that, the report be noted

320. CORPORATE UPDATE

The Constabulary Chief Finance Officer provided an update on the funding formula. The general election announcement has delayed the Home Office update on the funding formula.

The Deputy Chief Constable provided an update on the Professional Development Review (PDR) and fifteen-week review process. Internal Audit returning to look at this and HMIC looked at it as part of the efficiency inspection. PDR was introduced in January and is sitting at 70% compliance. Fifteen-week review is at 94% compliance on 24th April for both officers and staff. HMIC are happy with the process. A people department has been formulated, incorporating Professional Standards and Human Resources. There is a detailed action plan for this department partly looking at PDR and talent management. Members agreed that this sounded positive.

Positive feedback has been provided from HMIC in relation to the efficiency inspection. They felt that the financial planning was very robust. They said that there was a good focus on wellbeing

and they had received positive feedback from staff. The force was described as a happy force.

An update was provided on the twenty-five vision. Following the instigation of the detailed change programme and business plan a corporate plan is to be put in place to transform the service. The twenty-five vision is in draft form with consultation to take place on it and this will link in with the national vision. The plan will focus on local policing, specialist capabilities, the work force, digitisation and business support in order to make the force as agile and flexible as possible.

The reasoning behind the people department was to bring a whole host of things together. Some Police Officer skills have been put in to help drive activity around future proofing, it has brought professional standards and the police staff discipline together. It links into talent management and development for future leadership roles.

A member asked if the people department brought together police officers and staff. The DCC confirmed that it did, bringing together professional standards, human resources, occupational health, recruitment and training. The member commented that this sounded good but asked if it was different to other forces. The DCC confirmed that it was quite innovative in terms of bringing it together within one department. A member asked if this linked in with the work done on the blue light collaboration. The DCC commented that there was a separate project relating to blue light but that this is in its infancy.

The Chair congratulated the senior management of the organisation following the HMIC's comments relating to a happy force and commented that in the pre-meeting with internal audit it had been said that it was an enjoyable audit.

321. INTERNAL AUDIT REPORTS

During the last quarter, eight audit reports were circulated to members. Members asked for four of these reports to be included for discussion at the meeting.

- Digital Case File Preparation
- Receipt, Handling and Disposal of Drugs
- Main Accounting System
- Stingers

Members agreed that the four remaining reports did not need to be included on the JASC agenda for discussion but that the minutes should note that members had received these reports and were content with these reports, copies of which are on the OPCC website. These reports related to:

- Audit of Payroll

- Audit of Information Security
- Police Pensions
- Business Continuity Follow Up

(i) Audit of Digital Case File Preparation

Internal Audit undertook a review of the Constabulary's Digital Case File Preparation, an overall level of assurance of 'partial' was given.

A member asked if the assurance level was due to the file preparation being transferred from a paper process or if it was due to something else. The DCC confirmed that it was due to a combination of things. Previously there had been two criminal justice units (CJU) but that due to the savings process there is now just one. At the same time as this huge process change a new ICT system was implemented. A lot of hard work went in to this process and the organisation has remained in the top five nationally in terms of guilty pleas at first hearing and successful outcomes. An evaluation process is ongoing which is going to chief officer group next month to discuss what the future looks like. There is still more work to do but performance has been maintained. Quality has gone up since initially going live.

A member commented on the organisation being within the top five and yet only partial assurance given and asked if this is what was expected. The DCC confirmed that the assurance level was disappointing but understood why this level had been given and is confident that when internal audit re-visit this a higher assurance level will be given.

A member commented on the policies raised within the report and asked when a policy is required and when a procedure is adequate. It was felt that this may be something that internal audit could look at in the future. The DCC thought the comments were fair. A member commented that a bullet point procedure or flow chart rather than a lengthy procedure would be more user friendly. A member commented on the resilience during staffing changes of having procedures. The Chair queried whether a top down approach might be better with the person carrying out the task asked to write the procedures.

(ii) Audit of Receipt, Handling and Disposal of Drugs

Internal Audit undertook a review of the Constabulary's Receipt, Handling and Disposal of Drugs, an overall level of assurance of 'partial' was given.

The DCC confirmed that the procedure is in the process of being written and is going to the July Operations board. A member asked if a follow up would take place. The Audit Manager confirmed that a follow up would take place. The member asked if risk to the organisation would come into this. The DCC commented that there was restricted access to these drugs and their destruction. When the procedure is agreed at Operations Board they will be forwarded to the Audit Manager. The member asked about the business improvement unit looking at this. The DCC confirmed that the business improvement did look at internal audit recommendations and that they would look

at this.

(iii) Audit of Main Financial Systems (CC & OPCC)

Internal Audit undertook a review of the Main Financial Systems, an overall level of assurance of 'reasonable' was given.

A member asked about the proportion of virements that were not authorised. The Audit Manager confirmed that this was not a significant issue. A member commented on the importance of getting virements and the approvals surrounding these and training on this. The Constabulary CFO confirmed that in general virements are tightly managed. The Deputy CFO confirmed that in the main it is very clear who the budget holders are but that there are a few slightly greyer areas relating to areas such as project, secondments and mutual aid where the budget holder had not been clearly identified but that this would not happen going forward.

(iv) Audit of the Constabulary's Use of Stingers

Internal Audit undertook a review of the Constabulary's use of Stingers, an overall level of assurance of 'partial' was given.

This audit had two high priority issues, which related to procedures. The DCC confirmed that this would be going through Operations Board in August. A member asked how often a stinger would be used in Cumbria. The DCC confirmed that this varied but that they were not overly used. Stinger deployment requires quite a lot of resource to manage. The member commented on the national use of stingers and thought that there would be some sort of national procedure for their use. The DCC commented that there was not a great deal of national policy.

RESOLVED, that, the reports be noted

Note - The DCC left the meeting at this point.

322. INTERNAL AUDIT – ANNUAL REPORT

The Audit Manager presented the annual report for 2016/17 which summarised the outcomes of the work of internal audit and included the Head of Internal Audit's opinion on the effectiveness of the Police and Crime Commissioner's and Chief Constable's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards.

The key points are given below:

- The annual opinion of the Head of Internal Audit: based on work undertaken by Internal Audit during the year, the Audit Manager is able to provide Reasonable

assurance over the effectiveness of the Police and Crime Commissioner and Chief Constable's arrangements for governance, risk management and internal control.

- A total of 20 audit reviews have been finalised. This represents 91% of the planned audit work for the year.
- Work is continuing on two audits from the 2016/17 internal audit plan. This does not impact on our ability to provide an annual opinion. The outcome of these audits will be reported to the Joint Audit and Standards Committee and will feed into our opinion for 2017/18.

RESOLVED, that, the report be noted

323. EXTERNAL AUDIT FEES

The Senior Manager (SM) presented the audit fees and payment schedule letters for both the OPCC and the Constabulary. They advised that the 2017/18 scale audit fees had been set by Public Sector Audit Appointments Limited (PSAA) and would remain the same as last year. The audit team will remain the same.

RESOLVED, that, the reports be noted

324. EXTERNAL AUDIT UPDATE REPORT

The SM presented a progress report and update for the year ending 31st March 2017. In order to bring work forward a key point is being able to carry out early substantive testing and the list of items on which initial audit procedures have already been carried out is the largest seen. The SM thanked the Deputy CFO and her team for their co-operation in enabling this to happen. Co-operation of clients is key when doing external audit, the audit of accounts is taken seriously, which is key in making audit work. Overall, positive progress has been made on the audit.

A member commented on the finance team being put forward for an award. The Deputy CFO commented that although we were shortlisted the team did not win, however, the team as a whole received a commendation from the Chief Constable at a recent awards ceremony.

Note – The SM left the meeting at this point.

325. TREASURY MANAGEMENT ACTIVITIES

The Deputy CFO presented a report on the Treasury management Activities for the period January to March 2017 and an annual report for 2016/17.

A member asked if in Appendix B the figure for the impact of capital investment decisions on

council tax should be per pound rather than per million pounds. The Deputy CFO confirmed that it should be per pound. The member could not see how the actual was in target. The Deputy CFO confirmed that this was a measure rather than a limit and that the presentation of this will be amended for future reports.

A member commented on a couple of small typographical errors. The heading on the first page should read January to March 2017 and in the Appendix A borrowing should read from the Highland Council rather than Highland District Council.

RESOLVED, that, the reports be noted

326. RISK MANAGEMENT MONITORING

The Governance and Business Services Manager (GBSM) presented the annual report detailing the monitoring of Risk Management within the OPCC and CC.

A member asked if the commissioner's decisions were available on the website and if this included the risk assessment. The GBSM confirmed that this would be dependent on whether it was a part one or part two decision.

RESOLVED, that, the report be noted

327. ANIT-FRAUD AND CORRUPTION ACTIVITIES

The GBSM presented a report on the effectiveness of OPCC Anti-Fraud and Corruption monitoring. The report detailed the work that was carried out throughout the year and concluded that no instances of fraud or irregularity had been identified or reported.

The Chair commented that the succinctness of the reports and the clear recommendations were very helpful.

RESOLVED, that, the report be noted

328. ETHICS AND INTEGRITY GOVERNANCE

The GBSM presented the annual report from the Ethics and Integrity panel, which detailed work that has been carried out during 2016.

A member commented that the report referred to Appendix one which was not present. The GBSM confirmed that this would be emailed out to the committee members.

A member commented that there would be an update on the review of the control room and asked if this had happened and what the outcome was. The GBSM confirmed that an update report had been received but that another report was due in August. The Constabulary CFO commented that this would be an independent report. The Chair summarised the member's discussions by clarifying that members of the JASC would be interested in the views of the Ethics and Integrity Panel of these two reports once the panel has had the opportunity to consider them.

A member asked about the numbers sampled. The GBSM confirmed that in relation to stop and search the dip sample number was about fifty to sixty and that the control room sample was six.

A member commented that internal audit had looked at stop and search and asked if the results of the Ethics and Integrity Panels work was something that Internal Audit may need to think about when planning their work.

RESOLVED, that, the report be noted

Note - The GBSM left the meeting at this point.

329. EFFECTIVENESS OF ARRANGEMENTS FOR AUDIT

The Deputy CFO introduced the report for the review of effectiveness of the arrangements for Audit 2016/17. The report concludes that there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2017, or to the date of this meeting.

A member commented that at the end of the report it noted Ruth Hunter as the PCC CFO and asked if the CFO changes had taken place. The Constabulary CFO confirmed that the changes had not yet taken place. Guidance would be sought relating to the most appropriate person for signing off the accounts due to the PCC CFO having been off on an extended period of sick leave.

The Chair commented that the JASC had previously asked for sight of the arrangements put in place to safeguard the CFO as the joint CFO under the proposed new arrangements. The Constabulary CFO confirmed that this matter had gone to the Police and Crime Panel, a document of protocol is being finalised by the legal department and will be shared with the members.

The Chair noted that the Commissioner and Chief Constable are asked to consider this report. The Deputy CFO confirmed that this report had been to the decision-making meeting and the Commissioner and Chief Constable had no comments although they awaited any comments from the Joint Audit and Standards Committee.

RESOLVED, that, the report be noted

330. JOINT AUDIT AND STANDARDS COMMITTEE – REVIEW OF EFFECTIVENESS

The Deputy CFO presented the report on the review of effectiveness of the Joint Audit and Standards Committee for 2016/17. The overall conclusion and assessment is that the Audit and Standards Committee is extremely effective in its operation.

A member asked where the committee's plan for 2017/18 could be found. The Chair confirmed that they do not have a formal plan. The member asked how to evidence at the end of 2017/18 that they have tried to improve. The committee's plan was discussed and the decision was made to rename agenda item 5 as action update and plan. The Chair commented that this review needs to be made into a succinct summary to go the Police and Crime Panel for the October meeting.

RESOLVED, that, the report be noted

331. ANNUAL GOVERNANCE STATEMENT

The Constabulary CFO presented reports on the Effectiveness of Governance Arrangements, the Code of Corporate Governance and the Annual Governance Statements. It is proposed that a summary document will be produced to try to condense these documents and make them more accessible.

A member commented on the commissioner's code of corporate governance referring to the shared CFO arrangements and suggested that it would be useful to have some reference relating to the issue of conflicts of interest in this developing role and for this to be echoed in the constabulary code of corporate governance. A member asked about the report reading as if the joint CFO role had already happened. The Constabulary CFO confirmed that the tense would be looked at.

A member commented that he found the constabulary report easier to read than the commissioner's report. The Constabulary CFO commented they are very different documents to write and in some ways the Constabulary report is easier to write due to the breadth of activity.

A member commented that the contact details as the end of the PCC Effectiveness of Governance Arrangements report appear to be wrong.

Following the discussion the Chair clarified that overall members were happy with both the Effectiveness of the Governance Arrangements and the Code of Corporate Governance subject to the recommendations mentioned.

A member suggested some detailed amendments to the Constabulary Annual Governance Statement.

- Page 12 – Clarification of the strategy referred to at the bottom of the first column.
- Page 13 – Asked if the date was correct.

- Page 17 – The words ‘During the year’ have been duplicated.
- Page 22 – Under areas for further development, it should no longer say ‘the new police and crime commissioner’.
- Page 26 – Suggested the review of the joint CFO role as an action.
- Page 28 – There are some missing words in the first bullet point on the right hand column.
- Page 35 – It did not stand out on the plan which area’s had been completed. A bold word may be helpful to ensure that it stands out and revised target dates may be helpful.
- Page 40 and 41 – CPF/3 and CPF/4 are not in the areas for development from the main body of the report and it is suggested that these should match up.
- Page 41 – There is a discrepancy in the wording on CPF/3 Business Intelligence Strategy and Management Information Strategy in main report.
- Page 38 – 41 – There are some blank implementation dates.

The Constabulary CFO confirmed that these suggestions would be incorporated where appropriate.

A member commented on the legibility of reading the big six due to its size.

A member commented on the text colour of the main report.

The Chair asked if the committee would have the opportunity to review this again. The Constabulary CFO confirmed that this would be seen again before it goes out and after the changes had been incorporated. The Deputy CFO confirmed that this would be in July.

A member suggested some detailed amendments to the PCC Annual Governance Statement.

- Page 31 – The appendices appear to be the wrong way round.
- Page 34 – Commitment to review the joint CFO arrangements should be part of the plan.
- Page 34 – The main body of the report refers to reviewing the leadership structure, which should be listed as an action.
- Page 34 - Commitment to review job descriptions in main body of text should be in this plan.

The Constabulary CFO confirmed that these suggestions would be incorporated where appropriate.

RESOLVED, that, the report be noted

332. ANNUAL STATEMENT OF ACCOUNTS

The Constabulary CFO presented a report on the Annual Statement of Accounts, which included a narrative on the financial statements. The Chair thanked officers for getting the Statement of Accounts out to members in light of the timescales involved.

A member commented on the huge amount of work involved in creating these and asked about The Chartered Institute of Public Finance and Accountancy (CIPFA) changes relating to telling the story and whether they were considered to add value. The Constabulary CFO commented that he understood why they were needed, but that for an uninformed reader he did not feel that it helped to tell the story. The Deputy CFO commented on the other change that had been made relating to the placing of the notes within the accounts to stop the flicking around for the reader when following the story but feels that this has cluttered the accounts back up. The process went well this year and the timescales were tightened. A member asked about the amount of time taken by the team and the use of overtime. The Deputy CFO confirmed that the amount of overtime had not been excessive. The Constabulary CFO commented that it was felt that these timescale changes were good, although it was an intensive piece of work the whole process was shorter.

A member commented on the inconsistency of describing overspends as millions or k's.

A member commented on the reference to the CFO. The Constabulary CFO confirmed that this would be reviewed before being issued.

A member commented on the Constabulary Statement of Accounts on page 14 and the reference to the deficit of £1,129k a discussion took place as to whether the word overspend would be better. The Deputy CFO confirmed that this would be looked at.

On the PCC Statement of Accounts on page 7 a line refers to the table above but the table is now below. The Deputy CFO confirmed that this had now been changed. On page 9 a reference to £226.783m income is made but this is actually bringing expenditure in. The deputy CFO confirmed that this would be amended. On page 11 it should read on page 38 not 28. The Deputy CFO confirmed that this had already been amended.

RESOLVED, that, the report be noted

The date of the next meeting was confirmed at 21 July 2017.

Meeting ended at 12.50 pm

Signed: _____

Date: _____

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Joint Audit & Standards Committee – Action Update and Plan

| Minute Item | Action to be taken | Person Responsible | Target Date | Comments | Status |
|--|---|--|----------------|--|----------|
| DATE OF MEETING: 24th November 2016 | | | | | |
| 288 | Item 7 (iv) – Feedback to members to be scheduled following training and the role out of the financial regulations | Michelle Bellis | July 2017 | Feedback will be provided once training has been provided. | On-going |
| DATE OF MEETING: 15th March 2017 | | | | | |
| 302 | Item 6 – Corporate Update Review of new CFO arrangements | Roger Marshall / Michelle Bellis | March 2018 | A review of the CFO arrangements will be provided in March 2018, once arrangements have settled in. | On-going |
| 308 | Item 13 – Monitoring of Audit, Internal Audit and other Recommendations and Action Plans A revised target date is required for the recommendation in relation to the Self Service Travel Expenses & Overtime audit and the publication of policy documents on the website. | Roger Marshall | June 2017 | One recommendation has been put in place and the remainder will be implemented by the end of May 2017 | |
| 313 | Item 18 – Proposed Internal Audit Plan / Internal Audit Charter Amendment to wording | Emma Toyne / Dawn Masters / Roger Marshall | May 2017 | Wording amended – awaiting sign off | On-going |
| DATE OF MEETING: 24th May 2017 | | | | | |
| 321 | Item 13 – Internal Audit report(s) – Audit of Main Accounting Systems Information required relating to the volume of virements looked at, the percentage not signed and the total number of virements | Emma Toyne | July 2017 | Internal Audit selected a sample of 10 virements from 57 processed in the period January to March 2017. Of these, two were not signed. | |
| 328 | Item 12 – Ethics and Integrity Governance Members to receive an update on what the Ethics and Integrity Panel thought about the control room review. | Joanne Head | September 2017 | Paper to be submitted to the meeting in September. | On-going |

| Minute Item | Action to be taken | Person Responsible | Target Date | Comments | Status |
|-------------|--|--------------------|-------------|--|----------|
| 316 | Item 16 – Joint Audit and Standards Committee – Review of Effectiveness Agenda Item 5 – JASC Action Sheet to include members plan | Michelle Bellis | July 2017 | The areas for improvement identified in the review of effectiveness have been formulated into an action plan and are provided on the next page of this action plan update (agenda item 5). | Complete |
| 317 | Item 16 – Joint Audit and Standards Committee – Review of Effectiveness Review needs to be turned into a succinct summary for the PCP October meeting | Michelle Bellis | July 2017 | The summary of the review of effectiveness is provided on the agenda for the July 2017 meeting as part of the annual report. | Complete |
| 318 | Item 17 – Annual Governance Statement Summary document to be produced | Roger Marshall | July 2017 | Included for information on agenda for 21.07.17 meeting. | Complete |
| 318 | Item 17 – Annual Governance Statement Amendments to be incorporated | Roger Marshall | July 2017 | Included for information on agenda for 21.07.17 meeting. | Complete |

Joint Audit & Standards Committee – Review of Effectiveness

Improvement Action Plan 2017/18 Awaiting details from JASC members (emailed 2/6/17)

| Ref | Improvement Area | Planned Action | Action Owner | Target Date | Status |
|-------|--|----------------|--------------|-------------|--------|
| JASC1 | Helping to improve the outcome focus of the new Police and Crime Plan so that delivery can be measured more effectively. | | | | |
| JASC2 | Exploring ways to strengthen partnership working with the Police and Crime Panel and the Ethics and Integrity Panel where appropriate. | | | | |
| JASC3 | Support and monitor the OPCC and Constabulary plans to address the increasingly stringent funding environment. | | | | |
| JASC4 | Support and challenge any new governance arrangements, for example, from restructuring, greater collaboration with other organisations or joint working on delivery of services. | | | | |

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|---|----------------------------|
| JOINT POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT AND STANDARDS COMMITTEE | Paper No. 7 |
| Meeting date: 21 July 2017 | |
| From: Audit Manager (Cumbria Shared Internal Audit Service) | |

INTERNAL AUDIT: PROGRESS REPORT TO 30 JUNE 2017

1.0 EXECUTIVE SUMMARY

1.1 *This report provides a review of the work of Internal Audit for the period to 30 June 2017.*

1.2 *Key points are:*

- *Work is progressing as planned. The audit of Command and Control from the 2016/17 plan is complete and the draft report on Offender Management has been issued. We have completed our review of the PCC's Annual Governance Statement from the 2017/18 plan.*
- *Six audits from the 2017/18 identified for quarters 1 and 2 have been scoped with fieldwork underway or scheduled to begin.*

2.0 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS

2.1 *Internal Audit's work is designed to provide assurance to management and Joint Audit and Standards Committee members that effective systems of governance, risk management and internal control are in place in support of the delivery of the PCC and Constabulary's priorities.*

2.2 *The Audit Plan aims to deliver a programme of internal audit reviews designed to target the areas of highest risk as identified through the corporate risk registers together with management and internal audit view of key risk areas.*

- 2.3 ***The Accounts and Audit Regulations March 2015 impose certain obligations on the PCC and Chief Constable, including a requirement for a review at least once in a year of the effectiveness of their systems of internal control.***
- 2.4 ***Internal Audit must conform to the Public Sector Internal Audit Standards which require the preparation by the Head of Internal Audit of an annual opinion on the overall systems of governance, risk management and control. Regular reporting to Joint Audit and Standards Committee enables emerging issues to be identified during the year.***

3.0 RECOMMENDATION

- 3.1 ***Joint Audit and Standards Committee members are asked to note the report.***

3.2 BACKGROUND

- 3.3 The PCC and Chief Constable must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 3.4 Internal audit is responsible for providing independent assurance to the PCC and Chief Constable's senior management and to the Joint Audit and Standards Committee on the systems of governance, risk management and internal control.
- 3.5 It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls are operating effectively.
- 3.6 The internal audit plan for 2017/18 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage is focused on the areas of highest risk to both organisations. The plan has been prepared to allow the production of the annual internal audit opinion as required by the PSIAS.
- 3.7 This report provides an update on the work of internal audit for the three months to June 2017. It reports progress on the delivery of the 2017/18 audit plan in the period and includes a summary of the outcomes of audit reviews completed in the period.

Status of internal audit work as at 30 June 2017

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2017/18 audit plan. Further detail on this is included at Appendix 2.

| Audit plan year | Audit Status | Number of reviews |
|-----------------|---------------------------------|-------------------|
| 2017/18 | <u>Audits completed:</u> | <u>2</u> |
| | Risk based audits (2016/17 WIP) | 1 |
| | Risk based audits | 0 |
| | Governance work | 1 |
| | Follow up | 0 |
| | <u>Audits in progress:</u> | <u>7</u> |

| | | |
|--|---------------------------------|------------------|
| | Risk based audits (2016/17 WIP) | 1 |
| | Risk based audits | 5 |
| | Financial systems | 1 |
| | Follow up | 0 |
| | <u>Audits to be started</u> | <u>13</u> |
| | Risk based audits | 9 |
| | Financial systems | 2 |
| | Follow up | 2 |
| | <u>Audits in plan</u> | <u>22</u> |

Outcomes from Final Audit Reports to 30 June

3.8 Audits completed to 30 June comprise one risk based audit and the review of the PCC's Annual Governance Statement.

3.9 The outcomes from each finalised audit are shown in Appendix A.

Draft Reports Issued to 30 June

3.10 This section provides an early indication of the outcomes of internal audit reviews. Should additional information or evidence be received through the close out process, the initial assessment may be revised prior to finalisation of the report.

| Audit | Date of issue of draft report | Initial audit assessment |
|-----------------------------------|--------------------------------------|---------------------------------|
| Offender Management (2016/17 WIP) | 21/06/17 | Partial |

Emma Toyne
Audit Manager
 3rd July 2017

APPENDICES

Appendix 1: Final reports issued to 30 June 2017

Appendix 2: Progress on all risk based audits from the 2017/18 plan

Appendix 3: Internal audit performance measures to 30 June 2017

Contact: Emma Toyne, 01228 226261, emma.toyne@cumbria.gov.uk

Appendix 1 – Final reports issued to 30 June 2017

| Assignments | Status | Assessment |
|-----------------------------------|---|------------|
| Command and Control (2016/17 WIP) | Report presented to Joint Audit and Standards Committee at the 21 st July 2017 meeting. Report included in Committee papers and available on the Commissioner's website. | Reasonable |
| OPCC Annual Governance Statement | Report presented to Joint Audit and Standards Committee at the 21 st July 2017 meeting. Report included in Committee papers and available on the Commissioner's website. | Reasonable |

Appendix 2 – Progress on 2017/18 Audit Plan

| OPCC / Constabulary Review | Audit | Stage | Feedback form returned |
|------------------------------------|---|---------------------|------------------------|
| Constabulary (WIP from 2016/17) | Command and Control | Complete | Yes |
| Constabulary (WIP from 2016/17) | Offender Management | Draft report issued | N/A |
| Constabulary | Finances (Funding formula) | Work scoped | N/A |
| Constabulary | Vulnerability | Not started | N/A |
| Constabulary | Firearms Licencing | Fieldwork underway | N/A |
| Constabulary | Use of Force | Work scoped | N/A |
| OPCC | Commissioning | Work scoped | N/A |
| Constabulary | Five and fifteen week reviews / Professional Development Reviews (PDRs) | Not started | N/A |
| Constabulary | Resourcing – Duty Management | Not started | N/A |
| Constabulary | IT capacity | Not started | N/A |
| Constabulary | Fleet | Fieldwork underway | N/A |
| Constabulary | Digital media investigation unit | Not started | N/A |
| Constabulary | Business Improvement Unit | Not started | N/A |
| OPCC | Information security | Not started | N/A |
| OPCC | Annual Governance Statement | Complete | N/A |
| OPCC/Constabulary | Creditors | Not started | N/A |
| OPCC/Constabulary | Treasury Management | Fieldwork underway | N/A |

Appendix 2 – Progress on 2017/18 Audit Plan

| OPCC / Constabulary Review | Audit | Stage | Feedback form returned |
|-----------------------------------|--------------------------------|--------------|-------------------------------|
| OPCC/Constabulary | Cash receipting | Not started | N/A |
| OPCC | Procurement – detailed testing | Not started | N/A |
| Constabulary | Procurement – detailed testing | Not started | N/A |
| Constabulary | Procurement follow up | Not started | N/A |
| Constabulary | Safeguarding hub follow up | Not started | N/A |

Appendix 3 – Internal audit performance measures

| Measure | Description | Target | Actual | Explanations for variances / remedial action required |
|---|--|----------------------------|--------|--|
| Completion of audit plan | % of audits completed to final report | 10% 95% (annual target) | 9% | Target is based on the same period last year. The plan is progressing as intended at this early stage in the year. |
| | Number of planned days delivered | 281 (annual target) | 19 | Fieldwork is underway for all audits scheduled for quarter 1. Scoping meetings have been held for work to be carried out in quarter 2. |
| Audit scopes agreed | Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork. | 100% | 100% | |
| Draft reports issued by agreed deadline | Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork. | 70% | 100% | |
| Timeliness of final reports | % of final reports issued for Chief Officer / Director comments within five working days of management response or closeout meeting. | 90% | 100% | |
| Recommendations agreed | % of recommendations accepted by management | 95% | 100% | |

Appendix 3 – Internal audit performance measures

| Measure | Description | Target | Actual | Explanations for variances / remedial action required |
|------------------------------------|--|--------|--------|---|
| Assignment completion | % of individual reviews completed to required standard within target days or prior approval of extension by audit manager. | 75% | 100% | |
| Quality assurance checks completed | % of QA checks completed | 100% | 100% | |
| Customer Feedback | % of customer satisfaction surveys returned | 100% | 100% | Six forms returned. Five relate to audits reported in the 16/17 annual report and one reported in the quarter 1 report. |
| Customer Feedback | % of customer satisfaction survey scoring the service as good. | 80% | 100% | Based on the six forms returned. |
| Chargeable time | % of available auditor time directly chargeable to audit jobs. | 80% | 81% | |

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Cumbria Shared Internal Audit Service Internal Audit Report for Cumbria Constabulary



Command and Control

Draft Report Issued: **23rd May 2017**

Final Report Issued: **26th June 2017**

Audit Resources

| Title | Name | Email | Telephone |
|-----------------|--------------|--|--------------|
| Audit Manager | Emma Toyne | emma.toyne@cumbria.gov.uk | 01228 226261 |
| Lead Auditor(s) | Gemma Benson | gemma.benson@cumbria.gov.uk | 01228 226252 |

Audit Report Distribution

| | |
|------------------|---|
| For Action: | Matt Kennerley, Temporary Superintendent Operational Support. |
| For Information: | Mark Pannone, Temporary Chief Superintendent Territorial Policing. Sean Robinson, Temporary Assistant Chief Constable. |
| Audit Committee | The Joint Audit & Standards Committee, which is due to be held on 21 July 2017, will receive the report. |

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.

Cumbria Shared Internal Audit Service

Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), www.sjstudios.co.uk,
Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker



1. Background

- 1.1. This report summarises the findings from the audit of **Command and Control**. This was a planned audit assignment which was undertaken in accordance with the 2016/17 Audit Plan.
- 1.2. Command and Control is important to the organisation as it provides the response to members of the public who contact the constabulary.
- 1.3. The Command and Control room (CCR) model, which includes a single call management and resolution function performed by police officers in the room, became operational in September 2015.

2. Audit Approach

2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Temporary Chief Superintendent Territorial Policing. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
 - Data Quality Assurance;
 - Performance measures and monitoring of project objectives;
 - Staff training and communication.
- 2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Command and Control provide **Reasonable** assurance.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4. Summary of Recommendations, Audit Findings and Report Distribution

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There are **two** audit recommendations arising from this audit review and these can be summarised as follows:

| Control Objective | No. of recommendations | | |
|--|------------------------|--------|----------|
| | High | Medium | Advisory |
| 1. Management - achievement of the organisation's strategic objectives (see section 5.1.) | - | 1 | - |
| 2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2) | - | 1 | - |
| 3. Information - reliability and integrity of financial and operational information | - | - | - |
| 4. Security - safeguarding of assets | - | - | - |
| 5. Value - effectiveness and efficiency of operations and programmes | - | - | - |
| Total Number of Recommendations | 0 | 2 | 0 |

4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- Command and Control room data quality is independently sample reviewed by the Business Improvement Unit.
- A comprehensive guidance manual has been prepared for staff in the Command and Control Room, with A-Z documents providing further detailed guidance. The guidance manual is included in CCR specific training courses.
- Public consultation results were considered when revising performance targets in relation to 101 call answering times and abandoned calls.
- Internal consultation has recently taken place on questions in the user satisfaction survey.

4.4. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.4.1. *High priority issues:*

- No high priority issues were identified.

4.4.2. *Medium priority issues:*

- Arrangements are not in place to demonstrate that decisions taken in relation to performance data / information are subject to scrutiny and challenge and are formally approved.
- Expectations regarding frequency and focus of quality assurance checks within the Command and Control room are not clearly defined and communicated.

Comment from the Temporary Assistant Chief Constable

I have reviewed this audit report and welcome its conclusions of reasonable assurance. I have spoken to the management in terms of the two actions, which will report to Ops Board in July 2017 and October 2017 respectively, both will then form part of the monthly performance updates for CCR moving forward, therefore providing assurance and governance.

T/ACC S Robinson

23/6/17

5. Matters Arising / Agreed Action Plan

5.1. **Management** - achievement of the organisation's strategic objectives.

● **Medium priority**

| Audit finding | Management response |
|---|---|
| <p>(a) Performance Data</p> <p>There is some evidence of discussions around a performance dashboard for the Command and Control room and the information available for performance reporting.</p> <p>A summary of these discussions was presented to the Tactical Implementation Group. Thereafter there is no evidence that the performance measures that were developed were subject to scrutiny, challenge and approval.</p> <p>We were informed that now the Command and Control room has been implemented the aims have recently been reviewed and documented. This is now a good opportunity to reconsider and refresh how progress towards achieving these aims will be measured. The resultant performance measures should be agreed, defined and documented with appropriate approval.</p> <p>Recommendation 1:</p> <p>Management should have arrangements in place to demonstrate that decisions taken in relation to performance data / information are subject to scrutiny and challenge and are formally approved.</p> | <p>Agreed management action:</p> <p>Command and Control will have a specific agenda item on the Operations Board meetings moving forward to ensure that decisions on performance data can be demonstrated.</p> |
| <p>Risk exposure if not addressed:</p> <ul style="list-style-type: none">• Inappropriate / inadequate / undefined performance data is reported on;• Performance data does not provide management with the information they require;• Objectives are not achieved as performance measures do not directly link to them. | <p>Responsible manager for implementing:</p> <p>Chief Inspector – Command & Control Room</p> <p>Date to be implemented:</p> <p>07/2017</p> |

5.2. Regulatory – compliance with laws, regulations, policies, procedures and contracts.

● **Medium priority**

| Audit finding | Management response |
|---|--|
| <p>(a) Internal Quality Assurance Process</p> <p>There is a lack of clarity around management expectations in relation to the quality assurance checks undertaken within the Command and Control room in relation to frequency and focus (e.g. staff, shifts, quiet/busy periods etc.).</p> <p>We undertook a series of discussions during the audit which indicated a lack of consistent approach to QA checking:</p> <ul style="list-style-type: none"> • The Command and Control manual of guidance refers to a ‘dip sampling protocol’ as part of the QA process. We were not provided with a copy of this protocol to confirm management’s expectations regarding dip sampling. • We were informed that at least two quality assurance checks should be undertaken per shift. • We were later informed that QA checks should be undertaken for each member of staff once per week. • The most recent verbal instructions on the process was to focus on areas / staff members requiring improvement and to undertake the checks regularly, without a particular number being stated. <p>Without clearly defined expectations, management cannot be assured that quality assurance checks within the Command and Control room are being undertaken consistently and as intended.</p> | <p>Agreed management action:</p> <p>A piece of work is being undertaken in the Command and Control Room to bring all its quality assurance arrangements together. This includes formalising the process for quality assurance checks and updating the guidance manual and other relevant documents accordingly.</p> |
| <p>Recommendation 2:</p> <p>Management should ensure that expectations regarding frequency and focus of quality assurance checks within the Command and Control room are clearly defined and communicated.</p> | <p>Responsible manager for implementing: Chief Inspector – Command & Control Room</p> <p>Date to be implemented:</p> |
| <p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Quality assurance process does not achieve its aims; • Quality assurance process not undertaken per management requirements due to lack of clarity | |

| | |
|--------------------------------------|---------|
| for staff on their responsibilities. | 10/2017 |
|--------------------------------------|---------|

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

| | Definition: | Rating Reason |
|-----------------------|---|---|
| Substantial | There is a sound system of internal control designed to achieve the system objectives and this minimises risk. | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls & management of risks.</p> |
| Reasonable | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable. | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p> |
| Partial | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p> |
| Limited / None | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk. | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p> |

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

| | | Definition: |
|-----------------|---|--|
| High | ● | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| Medium | ● | Some risk exposure identified from a weakness in the system of internal control |
| Advisory | ● | Minor risk exposure / suggested improvement to enhance the system of control |

Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.

Cumbria Shared Internal Audit Service Internal Audit Report for Police and Crime Commissioner



Review of Annual Governance Statement 2016/17

Draft Report Issued: **26th June 2017**
Final Report Issued: **5th July 2017**

Audit Resources

| Title | Name | Email | Telephone |
|-----------------|-------------|----------------------------|--------------|
| Audit Manager | Niki Parker | niki.parker@cumbria.gov.uk | 01228 226261 |
| Lead Auditor(s) | Emma Toyne | emma.toyne@cumbria.gov.uk | 01228 226261 |

Audit Report Distribution

| | |
|------------------|--|
| For Action: | Roger Marshall, Joint Chief Finance Officer. |
| For Information: | |
| Audit Committee | The Joint Audit & Standards Committee, which is due to be held on 21 July, will receive the report |

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.

Cumbria Shared Internal Audit Service

Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), www.sjstudios.co.uk, Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker



1. Background

- 1.1. This report summarises the findings from the audit of the Police and Crime Commissioner for Cumbria's Annual Governance Statement for 2016/17. This was a planned audit assignment which was undertaken in accordance with the 2017/18 Audit Plan.
- 1.2. The Accounts and Audit (England) Regulations 2015 require the Commissioner to produce an Annual Governance Statement (AGS) explaining how the Code of Corporate Governance has been complied with. The Code of Corporate Governance was updated for the 2016/17 year to reflect the revised CIPFA / SOLACE Delivering Good Governance in Local Government Framework. The AGS must accompany the statement of accounts.
- 1.3. The Code of Corporate Governance for the Commissioner has been in place for the 2016/17 financial year.

2. Audit Approach

2.1. Audit Scope and Limitations

2.1.1. The Audit Scope was as follows:

- *Confirm that the Annual Governance Statement has been prepared in accordance with "Delivering Good Governance in Local Government: guidance note for Police" (2016 Edition)*
- *Review evidence for any major new content in the Annual Governance Statement and ensure the Annual Governance Statement accurately reflects any issues identified by Internal Audit, in particular the existence of any significant governance issues;*
- *Confirm that there is a due process for the review and approval of the Annual Governance Statement.*
- Our work was performed on the latest Annual Governance Statement provided to us on 21 June 2017.
- There were no instances whereby the audit work undertaken was impaired by the availability of information.

3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition

for each level is explained in **Appendix A**.

- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating for the preparation of the Annual Governance Statement provide **Reasonable** assurance. We are not aware of any matters that should be declared within the Statement as significant governance issues.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4. Summary of Recommendations, Audit Findings and Report Distribution

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There is one medium priority recommendation arising from this review which is detailed in Section 5.
- 4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:
- The Annual Governance Statement has been drafted in accordance with the relevant guidance – Delivering Good Governance in Local Government: Guidance: Note for Police.
 - Where changes or new content has been included in the AGS supporting information was readily available for Internal Audit review.
 - The Internal Audit annual report summarised our work during 2016/17 and information provided in the Annual Governance Statement is consistent with our findings.
 - The Commissioner's AGS has been prepared by statutory and senior officers and a draft was taken to the Joint Audit and Standards Committee on 24th May 2017 for comment. The AGS will be signed by the Commissioner and his Chief Executive and Chief Finance Officer. The Statement will then be considered by the Joint Audit and Standards Committee before it is published alongside the statutory accounts. A logical process of review and approval has been followed.
- 4.4. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:
- 4.4.1. *High priority issues: None identified.*
- 4.4.2. *Medium priority issues:*

- The AGS includes, as Appendix B, a development and improvement plan for 2017/18. Areas for development and improvement aren't included in the main body of the report making it less clear to readers where the areas identified stem from.
- Actions in the Development and Improvement Plan aren't always clearly defined.
- Actions spanning more than one year aren't updated to reflect progress made, with actions still to achieve carried forward.

4.4.3. *Advisory issues: None identified*

5. Matters Arising / Agreed Action Plan

● Medium priority

| Audit finding | Management response |
|--|--|
| <p>2017/18 Development and Improvement Plan</p> <p>The Annual Governance Statement is accompanied by a development and improvement plan for 2017/18. Whilst actions in the plan are referenced back to the Core Principles in the delivering good governance framework there is no reference to any areas to be developed and / or improved within the main body of the AGS. As a result, it is not clear to the reader where the areas identified in the action plan stem from.</p> <p>We attempted to give assurance by taking the actions within the development and improvement plan and translating them back to the text in the AGS but were unable to establish links in all cases (for example CPA/2 – there is no reference to the Police and Crime Bill within the main body of the AGS). We are therefore unable to provide full assurance that all areas for development and improvement have been reflected in the action plan.</p> <p>Actions within the 2017/18 development and improvement plan are not always clear and don't always effectively define what is to be achieved. For example:</p> <p><i>CPC/1 "The Commissioner is working with health and local government partners to improve</i></p> | <p>The Annual Governance Statement will be amended to incorporate actions in the main body of the report.</p> <p>For the future we will seek to provide a better cross check between the statement narrative and the action plan.</p> <p>Having reviewed the development and improvement plan actions for 2017-18 the majority of actions have clear and measurable outcomes, however the statement will be amended to provide greater clarity where this is not the case. For longer term actions spanning more than one year and update on progress is generally made at the</p> |

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. (March 2018)”.

Without clear actions and defined outcomes, it may be difficult for progress on these to be monitored and reported.

The above action was also included within the 16/17 Development and Improvement Plan as CP2/2 and progress with phases one and two has been reported in the update on the 2016/17 development and improvement plan contained as Appendix A to the AGS. However, the action hasn't been updated to reflect progress made to date or to set out what is still to be achieved over the coming year.

Recommendation 1:

- a) Areas included in the Development and Improvement plan should readily link back to the narrative in the AGS.
- b) Actions in the Development and Improvement plan should be clearly defined and measurable so that achievement can be monitored.
- c) Longer term actions spanning more than one year in the Development and Improvement plan should be updated to reflect progress made and action still to be taken to achieve the required outcome.

Risk exposure if not addressed:

- Actions in the development and improvement plan may not be realised because they are not effectively defined and achievement cannot be measured.

end of each year.

Responsible manager for implementing:
Chief Finance Officer

Date to be implemented:

31 July 2017 for amendments to specific actions
30th April 2018 for more general cross referencing.

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

| | Definition: | Rating Reason |
|-----------------------|---|---|
| Substantial | There is a sound system of internal control designed to achieve the system objectives and this minimises risk. | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls & management of risks.</p> |
| Reasonable | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable. | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p> |
| Partial | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p> |
| Limited / None | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk. | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p> |

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

| | | Definition: |
|-----------------|---|--|
| High | ● | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| Medium | ● | Some risk exposure identified from a weakness in the system of internal control |
| Advisory | ● | Minor risk exposure / suggested improvement to enhance the system of control |

Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.



Peter McCall

Joint Audit & Standards Committee

OPCC Risk Management Monitoring

Date: July 2017

Agenda Item No: 9 (i)

Originating Officer: Stuart Edwards

CC:

Executive Summary:

The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. This takes place in a constantly changing and challenging environment and the OPCC must ensure that it has robust systems and processes in place to monitor and react appropriately to risk.

Recommendation:

That, the Committee notes the changes regarding the OPCC's Strategic Risk Register, the oversight undertaken of the Constabulary's risk management arrangements; and the OPCC's Operational Risk Register.

1. Introduction & Background

- 1.1 The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. To enable it to carry out this function effectively it must monitor and react appropriately to risks. The Joint Audit and Standards Committee as part of their role, ensures that the OPCC is actively managing strategic risks and one member of the Committee has been appointed as the lead member for risk.

2. Issues for Consideration

- 2.1 Appended to this report at Appendix 1 is the OPCC's Strategic Risk Register which has been reviewed and updated since the last meeting of the Committee. A new risk has been identified in addition to the previous single strategic risk, which was Strategic Finance. The new strategic risk is –

- The Emergency Services Mobile Communications Programme (ESMCP)

- 2.2 The OPCC has also reviewed its Operational Risk Register, rationalising it to appropriately reflect the operational risks it faces. The Operational Risk Register is presented to the Committee to provide assurance that other areas of risk are being considered and regularly monitored. A copy of the Operational Risk Register is attached at Appendix 2.
- 2.3 The Chief Executive met with the Constabulary's lead for Risk Management, the Director of Corporate Improvement, on 28 June 2017. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.
- 2.4 Discussions took place in relation to the two organisations separate risk registers, the risks identified therein and any risks which may impact upon the other organisation which may need to be recorded within the relevant strategic risk register if it does not already appear.
- 2.5 The Constabulary will report further on their strategic risk register at the meeting.
- 2.6 The two risks which affected both organisations related to future finance and ESMCP. Although cuts to policing budgets in 2015 had not been as severe as originally thought, this would not necessarily continue to be the case in future years and in reality budgets were reducing year on year as a result of the "flat cash" settlements being received. This would need to be considered in the future when setting budgets and developing future police and crime plans. ESMCP potentially presents risks common to both organisations but, perhaps, from slightly different perspectives.

3. Implications

- 3.1 Financial - the inability of the OPCC to successfully identify and manage its organisational and strategic risks could impact financially on not only the OPCC but Cumbria Constabulary and other partner organisations which are financially dependent upon OPCC funding.
- 3.2 Legal - the OPCC could face legal challenge on some areas of its business, therefore it is essential that these are identified at an early stage and effectively mitigated and managed.
- 3.3 Risk - if the OPCC does not identify and mitigate risks then it may mean that the OPCC cannot carry out its statutory function efficiently and effectively.

OFFICE OF THE POLICE & CRIME COMMISSIONER – STRATEGIC RISK REGISTER

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | | Risk Owner | | Actions | | Reviews |
|-----------|--|-------------|-----------------|-----------------------|--------------------------------|----------------------------------|---------------------|
| Risk No. | Risk Title | Total Score | Risk Owner | Action Owner | Any outstanding actions YES/NO | Date for actions to be completed | Date of next review |
| R1 | Strategic Finance | 12 | Chief Executive | Chief Finance Officer | No | | September 2017 |
| R2 | The Emergency Services Mobile Communications Programme (ESMCP) | 12 | Chief Executive | Chief Executive | No | | September 2017 |
| | | | | | | | |

Scores:

| | |
|-----------|-------------------------|
| 8 – 16 | Review within 3 months |
| 4 - 6 | Review within 6 months |
| 3 or less | Review within 12 months |

| | | |
|------------------------------|--|--|
| Risk No: R1 | Risk Title: STRATEGIC FINANCE | The Police and Crime Commissioner is required to set a balanced budget. Resources from central Government formula grant provide the significant majority of funding to deliver police services. Reductions in that funding will have a substantial impact on the level of policing that can be provided and on the potential to deliver the Commissioner's wider responsibilities. |
|------------------------------|--|--|

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | Unmitigated Score | | | Mitigated Score | | | | Actions | | | | | |
|---|--|-------------------|------------|------------|-----------------|------------|------------|---|---|--|---------------------------------------|-----------------------|----------------|--|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date | |
| Lack of resources within the medium term budget to provide sufficient funding for the Constabulary to deliver current levels of policing service. High levels of funding uncertainty are impacting on this risk from 2018/19 (the government’s current implementation date for the new formula). Announcements are expected from March 2017 regarding a proposed formula. An emerging potential risk is the loosening of the public sector cap which would put additional pressure on budgets if it was unfunded. | This risk may lead to a reduction in the level of police services and/or result in Cumbria Constabulary not being viable as an independent force. Alternative options for delivering a police service in Cumbria may have to be considered. This may impact on the extent to which services respond to local needs in Cumbria. During the period of change there may be reductions in public assurance/confidence. | 4 | 4 | 16 | 3 | 4 | 12 | Chief Executive (Reduce) | The Commissioner has joined the National Rural Crime Network through which work has been commissioned to demonstrate weakness in the proposed funding model. A paper has been submitted to the TRG and external support has been commissioned on developing a cost model for community policing. The budget has been balance in the short term and longer term decisions on the budget and policing model are being deferred pending announcements. | Budget monitoring processes and internal controls are in place to manage financial commitments. The financial control environment is tested annually by internal and external audit. HMIC Peel inspections and external auditors review overall financial resilience and the track record of delivering savings. | | Chief Finance Officer | September 2017 | |
| The Emergency Services Mobile Communications Programme (ESMCP) is a collaboration between the police, fire and ambulance Emergency Services (3ES) in England, Scotland and | This risk may result in significant additional costs and impact upon the Commissioner’s ability to ensure Cumbria has an efficient and effective force, which could lead to reputational risk. | 4 | 3 | 12 | 3 | 4 | 12 | Chief Executive (Reduce) | The Commissioner is working regionally with other North West Commissioners and nationally through the APCC to highlight concerns | Work being undertaken regionally and nationally provides some assurance. The critical nature of this national project means it will be a priority. | | Chief Executive | September 2017 | |

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|---|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Wales, to replace the existing mobile radio system known as Airwave. ESCMP will deliver the Emergency Services Network (ESN) which will provide integrated critical voice and broadband data over an enhanced 4G commercial network. This is a significant project. At the present time there are concerns around cost, coverage and timescales for delivery. | | | | | | | | | and seek to have them addressed. Officers within the OPCC are also engaged through attendance at regional events and through the APCC. | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|

OFFICE OF THE POLICE & CRIME COMMISSIONER – OPERATIONAL RISK REGISTER

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | |
|-----------|-------------------------|
| 8 – 16 | Review within 3 months |
| 4 - 6 | Review within 6 months |
| 3 or less | Review within 12 months |

| | | | Risk Owner | | Actions | | Reviews |
|---|---|-------------|--|--|--------------------------------|----------------------------------|----------------|
| Risk No. | Risk Title | Total Score | Risk Owner | Action Owner | Any outstanding actions YES/NO | Date for actions to be completed | Date of review |
| FINANCE | | | | | | | |
| 01 | Budget Management | 9 | Chief Finance Officer | Deputy CFO | No | | Sept 17 |
| 02 | Investment Counterparty Risk | 3 | Chief Finance Officer | Deputy CFO | No | | May 18 |
| 03 | Financial Governance | 2 | Chief Finance Officer | Deputy CFO | No | | Mar 18 |
| 04 | Shared Services | 2 | Chief Executive | Deputy Chief Executive | No | | Mar 18 |
| 05 | Asset Management | 2 | Chief Executive | Chief Finance Officer | No | | Sep 17 |
| 06 | Insurance | 4 | Chief Executive | Chief Finance Officer | No | | Nov 17 |
| PARTNERSHIPS & COMMISSIONING | | | | | | | |
| 07 | Performance / delivery of the police and crime plan | 4 | Head of Partnerships & Commissioning | Partnerships and Strategy Manager | No | | Nov 17 |
| 08 | Partnerships & Collaboration | 6 | Head of Partnerships & Commissioning | Partnerships and Strategy Manager | No | | Nov 17 |
| 09 | Commissioning of Services | 6 | Head of Partnerships & Commissioning | Partnerships and Strategy Manager | No | | Nov 17 |
| COMMUNICATION AND BUSINESS SERVICES | | | | | | | |
| 10 | Public Engagement / Consultation | 2 | Head of Communications & Business Services | Engagement Officer | No | | Nov 17 |
| 11 | Reputation | 4 | Head of Communications & Business Services | Engagement Officer | No | | Nov 17 |
| 12 | Complaints | 6 | Head of Communications & Business Services | Governance Manager | Yes | Awaiting guidance | Nov 17 |
| 13 | Diversity | 3 | Head of Communications & Business Services | Governance Manager | No | | Nov 17 |
| 14 | Independent Custody Visiting Scheme & Animal Welfare Scheme | 2 | Head of Communications & Business Services | Governance Manager | No | | Nov 17 |
| CHIEF EXECUTIVE / MONITORING OFFICER | | | | | | | |
| 15 | Non-Financial Governance | 2 | Chief Executive | Head of Communications & Business Services | No | | Nov 17 |
| 16 | Efficient and Effective Policing | 6 | Chief Executive | Chief Executive | No | | Nov 17 |

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| Risk Number: | Risk Title: | Budget management concerns the arrangements for monitoring and reviewing our actual expenditure against the budget and taking corrective action to manage areas of under or overspend. |
| 01 | Budget Management | |

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | Unmitigated Score | | | Mitigated Score | | | Actions | | | | | | |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|---|--|--|-----------------|-------------|--|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date | |
| Failure to effectively manage budgets resulting in under or overspend | Reputational damage Financial pressures resulting in the need to cease services or recruitment | 3 | 4 | 12 | 3 | 3 | 9 | Chief Finance Officer Reduce | Financial Regulations Budget monitoring arrangements Close working between finance and HR to manage recruitment Use of Reserve | Financial regulations reviewed by JASC External and internal audit review budget management | The Constabulary budget proposal includes funding the 16-17 overspend within the overall funding envelope for 2017-18. | Deputy CFO | Sept 2017 | |

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| Risk Number: 02 | Risk Title: Investment Counterparty Risk | We invest with a number of counterparties to provide security and returns on the cash balances we hold as a result of having reserves and timing differences between our income and expenditure |
|----------------------------------|---|---|

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | Unmitigated Score | | | Mitigated Score | | | | Actions | | | | |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|--|---|---------------------------------------|-----------------|-------------|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date |
| There is risk that the counterparty we invest in fails or under banking regulations is required to restructure capital, resulting in the loss of our investment or a reduction in value | Reputational damage – there may be an assumption that our treasury management activities have not been carried out responsibly. Financial loss – a complete or partial loss of the funds invested. | 4 | 2 | 8 | 3 | 1 | 4 | Chief Finance Officer Reduce | Procurement of external specialist advisors on counterparty risk Spread of investment and limits for investment categories and individual counterparties in the treasury management strategy Controls over authorisation of investments Monitoring of TM Activity | Internal Audit of TM function JASC review the strategy & activity reports External audit of year end balances | | Deputy CFO | May 18 |

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| Risk Number: 03 | Risk Title: Financial Governance | A number of financial governance arrangements are in place to ensure the proper administration of financial affairs. This includes financial regulations, financial rules and structural governance e.g. CFO, Deputy CFO, JASC, audit. It is basically a framework for robust financial control and rules supported by checks and balances that ensure it is operating effectively. |
|----------------------------------|---|---|

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | Unmitigated Score | | | Mitigated Score | | | Actions | | | | | |
|--|--|-------------------|------------|------------|-----------------|------------|------------|---|---|---|--|-----------------|-------------|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date |
| A failure in financial governance | Reputational damage Potential Financial loss Unlawful expenditure | 4 | 4 | 16 | 2 | 1 | 2 | CFO Reduce & transfer | Arrangements for financial governance as detailed in the Code of Corporate Governance | Annual Governance Statement subject to audit Internal and External Audit Specific insurance for fraud risk on investments | Internal Audit commencing in Nov of Code of Corporate Governance | Deputy CFO | Mar 18 |

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| Risk Number: 04 | Risk Title: Shared Services | The OPCC is dependent on partner organisations for a number of key support services to enable it to deliver its functions. This includes legal services, financial services inc internal audit, HR, procurement, estates. |
|----------------------------------|--|---|

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | Unmitigated Score | | | Mitigated Score | | | | Actions | | | | | |
|---|--|-------------------|------------|------------|-----------------|------------|------------|---|--|--|--|------------------------|-------------|--|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date | |
| Failure of the partner organisation to deliver a sufficiently qualitative and responsive service. | Lack of sufficiently/timely/robust information has implications regarding the ability to make decisions, potential risk regarding the quality of decision making In some cases areas of work may not be able to be delivered. | 3 | 1 | 4 | 2 | 1 | 2 | Chief Executive | Shared Service Agreement & Annual Resource Planning with Audit NW employers subscription (HR) Named on legal frameworks/OPCC networks CC Funding agreements includes controls on resource changes to support services | Progress on the annual audit plan is monitored by JASC/CFO attends shared service board meetings CCCFO/PCCCFO have statutory decision making powers in respect of finance resources | The shared services agreement for internal audit is subject to renewal by March 2017 and will be reviewed between November and March to ensure it meets on-going requirements. | Deputy Chief Executive | Mar 2018 | |

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| Risk Number: 05 | Risk Title: Asset Management | The Commissioner is the owner of all capital assets procured and used by the commissioner and the constabulary – the estate, ICT, and fleet. Assets are managed by the Constabulary on behalf of the Commissioner. |
|----------------------------------|---|--|

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | Unmitigated Score | | | Mitigated Score | | | | Actions | | | | |
|--|---|-------------------|------------|------------|-----------------|------------|------------|---|---|---|---------------------------------------|-----------------------|-------------|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date |
| Failure of the Constabulary to manage the commissioner’s assets resulting in breach of regulations and/or public/employee liability, loss or damage to the asset, failure to secure value for money from the use of assets | Accident or injury by employee or the public resulting from use of inadequately maintained assets Loss/damage to the asset as a result of inadequate security/management of the asset. Financial and reputational implications regarding the use of public money. | 3 | 1 | 4 | 2 | 1 | 2 | Chief Executive Reduce Transfer | Public and employer liability Insurance Insurance for fleet, estates and ICT assets Insurance reserve and provision Financial regulations include rules for managing assets – including authorisation for write off CC Funding agreement places requirements on the CC with regard to asset management and security | Procurement of a broker to provide professional advice on insurance Bi-annual actuarial review of levels of insurance liability Internal audit of asset management/asset safeguarding | | Chief Finance Officer | Sept 17 |

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| Risk Number: 06 | Risk Title: Insurances | The Commissioner and Chief Constable take out insurance to transfer the financial risks in respect of a range of liabilities/risks including public and employee liability, assets, investment fraud. |
|----------------------------------|---|---|

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
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| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | Unmitigated Score | | | Mitigated Score | | | Actions | | | | | |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|---|--|---------------------------------------|-----------------------|-------------|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date |
| Failure to adequately insure the organisation against all of the risks that it faces and/or failure to procure sufficient insurance cover/failure of the insurance provider | Potential significant financial implications should either the insurer fail commercially or the insurance cover taken fall short of the full liability incurred | 4 | 2 | 8 | 4 | 1 | 4 | Chief Executive Reduce/Accept | An insurance broker is procured to provide specialist advice on the level of cover. Broker advice includes a rating for the financial stability of the insurance provider. Deputy CFO provides detailed insurance schedules to ensure broker and insurers have a full understanding of the business and risks Business managers in specialist areas are asked to advise on options regarding additional/bespoke insurance policies Annual report from the Director of Legal in respect of significant public and employee liability claims. | Bi-annual external actuarial review of levels of insurance liability against existing provision and reserves. Decisions on level of cover and whether to self-insure are taken for review to the Executive Board and determined by the Commissioner and Chief Constable providing further scrutiny. | | Chief Finance Officer | Nov 17 |

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|----------------------------------|--|--|
| Risk Number: 07 | Risk Title: Performance / delivery of the police and crime plan | The Commissioner is required to set out his vision, priorities and objectives for policing and crime within the police and crime plan. The production and publishing of the plan is a core statutory planning requirement as defined by the Police and Social responsibility Act 2011. The plan sets out the resources and assets that the commissioner will make available to the Chief Constable for policing and the mechanisms by which the Chief Constable will report on performance and be held to account. |
|----------------------------------|--|--|

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
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| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | Unmitigated Score | | | Mitigated Score | | | Actions | | | | | |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|--|--|---|-----------------------------------|-------------|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date |
| Lack of financial and human resource may lead to a failure to: • Deliver against targets set out in the Police and Crime Plan • Contract Manage projects robustly to ensure delivery of project outcomes. | Resulting in no legal compliance leading to possible: • Government Intervention • Loss of Public confidence • Increased crime rates • Failure to target resources towards changing performance and crime trends | 3 | 3 | 9 | 2 | 2 | 4 | Head of Partnerships and Commissioning Reduce | • Dedicated resource in OPCC and Constabulary Corporate Development • Strategic Planning and Commissioning processes • Public Consultation • Executive Board team meetings • Accountability board • Executive Board public meetings | Police and Crime Panel scrutiny Accountability framework HMIC Audit | No further controls required at this stage | | Nov 17 |
| Lack of planning for staff handover when secondments begin would result in a failure to continue work that delivers the police and crime plan objectives | Results in missed opportunities and work remaining incomplete against delivery of police and crime plan. | 2 | 2 | 4 | 1 | 1 | 2 | Head of Partnerships and Commissioning Avoid | Handover date will be put in diaries prior to commencement of secondment. | One to One and regular meetings will be held. | | Partnerships and Strategy Manager | Nov 17 |
| Lack of skilled staff will result in an inability to monitor performance against the police and crime plan objectives, if there are not enough staff to liaise with grant and contract service providers. | Results in the potential for money not being used appropriately and project objectives not being delivered on. This will lead to a loss of commissioned services within the community and reputational damage to the PCC. | 3 | 3 | 9 | 2 | 2 | 4 | Head of Partnerships and Commissioning Reduce | Control of grant monitoring sits within the department. This covers all grants (public and partnership – CSP, Safer Cumbria for example) and commissioned services. Grant monitoring framework/ policy will be developed and then reviewed periodically ensuring fit for purpose. | | Review performance and accountability framework to make sure fit for purpose with Chief Officers and Strategic Executive. | Partnerships and Strategy Manager | Nov 17 |

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|----------------------------------|---|---|
| Risk Number: 08 | Risk Title: Partnerships & Collaboration | The Commissioner has a statutory duty to deliver in partnership the Victims Code and Community Safety. The Victims Code ensures all victims and witnesses of crime have access to support and redress to help them cope and recover. The commitment to partnership working ensures an approach of shared accountability and services providing value for money. |
|----------------------------------|---|---|

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | Unmitigated Score | | | Mitigated Score | | | Actions | | | | | |
|--|--|-------------------|------------|------------|-----------------|------------|------------|---|--|--|---------------------------------------|-----------------------------------|-------------|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date |
| A lack of capacity within the team leads to failure to spot innovative opportunities and themed countywide approaches led through CSP and Safer Cumbria. | Results in a failure to identify potentially more effective and efficient ways of working to reduce demand on police and statutory partners. This will lead to a lack of opportunity to design innovative commissioned services for Cumbria. This could also lead to solution building opportunities that address gaps in services being missed. | 4 | 3 | 12 | 3 | 2 | 6 | Head of Partnerships and Commissioning Reduce | We have key partnership collaboration through Safer Cumbria within the team. Ensure effective handover between Constabulary secondees and Partnership and Strategy Manager. Liaison with the Community Safety lead within the Constabulary to explore steps that can be taken to ensure local problem solving groups remain effective, if police and OPCC cannot be present. | Maintain an integrated partnership working approach with attendance at Safer Cumbria and other key strategic and operational board meetings. | | Partnerships and Strategy Manager | Nov 17 |
| Lack of PCC money leads to lack opportunities to influence outcomes and structures through the Safer Cumbria partnership | Results in silo working, ineffective use of budgets and countywide approaches. | 4 | 3 | 12 | 3 | 2 | 6 | Head of Partnerships and Commissioning Reduce | Our key partnership collaboration is currently through Safer Cumbria, Head of Partnerships and Commissioning to ensure OPCC Executive team know and understand the | Key partnership working will be maintained through the Safer Cumbria structure and attendance at strategic and operational board meetings | | Partnerships and Strategy Manager | Nov 17 |

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|--|--|---|---|---|---|---|---|---|--|--|--|------------------|--------|
| | | | | | | | | | contribution the Partnerships and Commissioning team makes towards partnership collaboration . Any reductions will seriously impact on the ability of the team to function in this area. | will be built into the team's framework. | | | |
| Failure to ensure the continuation of the Victims and Witnesses Group would result in agencies not having a platform to co-ordinate and promote their services to victims and witnesses. | | 2 | 3 | 6 | 2 | 2 | 4 | Head of Partnerships and Commissioning Reduce | The Witness & Victims Group has been re-established and an action plan has been developed. Continuing to liaise with third sector organisations to obtain their buy in and provide them with a platform to promote their services. | The OPCC would look to assess what issues caused the group to fail. Try to re-establish partnership working with stakeholders. | Set up a Focus Group of victims to consult with them, obtain their views on what services could and should be provided, identifying current gaps in provision. Promotion of the work of the group when meeting with stakeholders and partners. Specifically target third sector organisations to join the group. | Victims Advocate | Nov 17 |

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| Risk Number: 09 | Risk Title: Commissioning Services | The Commissioner sets out their priorities in the Police and Crime Plan including how he will work in partnership to ensure delivery of priorities and commissioning or services. The Commissioner ensures robust project management frameworks are in place to mitigate risk, of partners failing to deliver on services or problems associated with mobilisation. |
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| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
| 4 | Very High | Will undoubtedly happen, possibly frequently |

| | | Unmitigated Score | | | Mitigated Score | | | | Actions | | | | | |
|--|---|-------------------|------------|------------|-----------------|------------|------------|---|---|---|---|-----------------------------------|-------------|--|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date | |
| Lack of capacity and resilience within the Partnership and Commissioning team leads to an inability to successfully contract manage service providers. This will lead to a reduction or lack of service delivery | Will result in reputational damage due to inefficient service outcomes and a reduction in cost savings to public and private sector organisations. Resulting in an inability to deliver the objectives and commitments set out in the Police and Crime Plan | 4 | 3 | 12 | 3 | 2 | 6 | Head of Partnerships and Commissioning Reduce | Ensure contract management meetings and evaluations are embedded in the Commissioning Framework | Partnership and Commissioning team have portfolio responsibilities for contract management | Commissioning Strategy currently under review which will ensure we are working to best practice | Partnerships and Strategy Manager | Nov 17 | |
| Lack of staff reduces the capacity to apply for external funding opportunities and reduces the capacity within the team to develop, maintain, manage and evaluate existing contracts. | Results in the commissioning of unserviceable and ineffective interventions and services which leads to inefficient and ineffective outcomes and loss of revenue. Leads to an inability to deliver the objectives in the police and crime plan due to reduction in external resources and funding, will hinder and restrict partnership working. | 3 | 3 | 9 | 2 | 2 | 4 | Head of Partnerships and Commissioning Reduce | Update 14/10/2015. Business cases are built through mapping exercises and partnership consultation. Partners involved in Procurement bid marking process. | A Victim’s Needs Assessment has been completed and refreshed. Partnership and Commissioning Team have portfolio responsibility’s to engage with partners and attend operational board meetings | Ensure business cases are robust and the advice of experts sought during the process of preparing and marking bids. | Partnerships and Strategy Manager | Nov 17 | |
| Lack of capacity and resilience within the procurement department leads to a failure to ensure contracting and grant agreements are progressed in a timely manner. | Will result in reputational damage due to inefficient service outcomes and a reduction in cost savings to public and private sector organisations. Results in an inability to deliver the objectives and commitments set out in the Police and Crime Plan. | 4 | 3 | 12 | 3 | 2 | 6 | Head of Partnerships and Commissioning Reduce | Ensure continued guidance and support from Procurement and also look into possibility of developing a flexible supplier framework. | Procurement now regularly attends Partnership and Commissioning team meetings. Procurement Regulations have been reviewed this will ensure we are working to best | Team to ensure Commissioning pipeline is updated regularly and shared with Head of Procurement thereby providing a strategic outline of work. | Partnerships and Strategy Manager | Nov 17 | |

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| | | | | | | | | | | practice and within a legal framework | | | |
| Lack of staff will result in a failure to bring together different agencies to support and maintain the Cumbria Together website would result in the website not providing Victims with the required information or support. | Result in a lack of victim focus and reduced support, this would go against the PCC commitment to ensure victims have access to support redress | 3 | 3 | 9 | 2 | 2 | 4 | Head of Partnerships and Commissioning Reduce | The Cumbria Together website is now functioning. Funding for 3 years was secured by the OPCC. 'Buy in' from Stakeholders continues by way of the website being a standard agenda item for the Victims and Witness Group Meetings. New services and items are regularly updated onto the website. Credit sized cards promoting the website have been widely distributed to all Police Officers and Police Stations for distribution to members of the public. Stakeholders and other agencies are also distributing the cards. | The OPCC would look to assess what the issues were and if necessary amend the website accordingly, providing more limited information and support to victims until an alternative solution could be found. | Support continues to be provided from media company to further develop the website. Continue to keep Cumbria Together as a standard agenda item for the Victims and Witness Group Meetings. Continue to promote the website at every opportunity e.g.PCC surgeries, public engagement opportunities. | Victims Advocate | Nov 17 |
| Failure to set up an effective Focus Group would result in victims and witnesses not being able to provide their insight and knowledge of services and experiences to assist in the development of the future provision of such services. | | 2 | 3 | 6 | 2 | 3 | 6 | Head of Partnerships and Commissioning Reduce | The Focus Group is now functioning and meets on a quarterly basis. Consultation by the group has contributed to a number of issues raised by the PCC, OPCC and the Police. Continuing to promote the Focus Group within the Victims and Witnesses Group to ascertain if stakeholders can identify individuals who would be willing to join the Focus Group is a standard agenda item. | The OPCC would look to assess the issues causing the group to fail. Look at other options on how to obtain victims and witnesses views. Liaise with other OPCC's and/or stakeholders to ascertain how they have achieved gathering victims and witnesses views. | Continuous recruitment to the group to ensure that victims are able to move on from their experience. Feed the views and opinions of the Focus Group back into the Victims and Witness Group to enable appropriate services to be provided or further developed. | Victims Advocate | Nov 17 |

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| Risk Number: 10 | Risk Title: Public Engagement/ Consultation | The PCC has a statutory obligation to engage with communities under the Police Reform and Social Responsibility Act 2011. He also is required to demonstrate how he has fulfilled this obligation, and illustrate how he has responded to feedback, ie. 'We asked, You said, We did' |
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| Risk Mitigation Strategies: | |
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| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
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| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
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| | | Unmitigated Score | | | Mitigated Score | | | | Actions | | | | |
|---|--|-------------------|------------|------------|-----------------|------------|------------|---|---|--|---------------------------------------|------------------------------|-------------|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date |
| If the PCC does not engage with the public effectively, and is not able to provide evidence that he has done so, there is a risk that he could be found to not be fulfilling his legal obligations. | <ul style="list-style-type: none">There is a risk of judicial challenge which may result in a decision being over-turned with consequent financial implications if the PCC fails to consult appropriately or fails to take into account consultation responses when decision making.This may also damage the PCCs reputation.Loss of public confidence | 3 | 1 | 3 | 2 | 1 | 2 | Head of Communications and Business Services Avoid | <ul style="list-style-type: none">The Office of Public Engagement (OPE) was set up in order to ensure that the PCC fulfils this element of his statutory function.An Engagement Strategy is in place (and reviewed annually) which identifies and describes what communications and engagement methods will be undertaken, and each year a plan of engagement activity is drawn up.Consultation processes are used to support all decisions with service user implications and final decisions take these into account. When required Legal advice is sought on consultation processes.PCC publishes an Annual Report each | <ul style="list-style-type: none">Police and Crime Panel agreed with the recommendation regarding the 2015-16 police precept increase, due to the extensive and statistically significant consultation exercisesPolice and Crime Panel endorsed the PCC’s Annual ReportPolice and Crime Panel endorsed the Police and Crime Plan | | Engagement and Comms officer | Nov 17 |

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| | | | | | | | | | year which sets out how he has engaged/consulted with the public; and how this has shaped policy and plans. • The Police and Crime Plan is published annually. | | | | |
| Risk of failure to comply with legislation and regulations in respect of requirements for statutory reports, publications and information. | <ul style="list-style-type: none"> This may also damage the PCCs reputation. Loss of public confidence May be called to appear before a Home Office Select Committee | 4 | 3 | 12 | 4 | 2 | 8 | Head of Communications and Business Services Avoid | <ul style="list-style-type: none"> The Governance Manager ensures requirements in respect of transparency/published information is kept under review and met through the PCC website. Individual officers responsible for ensuring any published documents within their area of responsibility meet statutory requirements. Subscriptions to professional bodies ensure relevant guidance is received on the requirements. Take part in all the reviews to ensure that we are meeting our statutory obligations. | HMIC and Internal Audit reviews | | Engagement and Comms Officer | Nov 17 |

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| Risk Number: 11 | Risk Title: Reputation | The PCC has a number of statutory obligations, and failure to deliver these is likely to compromise the PCC's reputation. |
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| Risk Mitigation Strategies: | |
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| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

| Risk Score | Impact | Likelihood – over the next 4 years |
|------------|-----------|--|
| 1 | Low | Not expected to happen, but is possible |
| 2 | Medium | May happen occasionally |
| 3 | High | Will probably happen, but not a persistent issue |
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| | | Unmitigated Score | | | Mitigated Score | | | | Actions | | | | | |
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| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date | |
| Failure to deal with conduct issues promptly, fairly and properly. | <ul style="list-style-type: none">• Potential damage to reputation or public perception of the OPCC and the Commissioner.• This could also result in loss of public confidence.• Negative impact on staff | 4 | 1 | 4 | 4 | 1 | 4 | Head of Communications and Business Services Avoid | <ul style="list-style-type: none">• There is a Code of Conduct for members and officers.• Independent Audit and Standards committee.• Ethics and Integrity Panel. | Independent Audit and Standards committee. Ethics and Integrity Panel | | Engagement and Comms Officer Governance manager? | Nov 17 | |
| Failure to robustly deal with an incident. | <ul style="list-style-type: none">• Potential damage to reputation or public perception of the OPCC and the Commissioner.• This could also result in loss of public confidence. | 4 | 1 | 4 | 4 | 1 | 4 | Head of Communications and Business Services Avoid | <ul style="list-style-type: none">• The Office of Public Engagement has a strategy.• Reputational issues are discussed at weekly joint OPCC / Constabulary Comms Management.• Where necessary the OPCC will develop individual strategies to cover specific reputational issues. | | | Engagement and Comms Officer | Nov 17 | |
| Failure to scrutinise and hold to account Constabulary performance | <ul style="list-style-type: none">• Potential damage to reputation or public perception of the OPCC, the Commissioner and the Constabulary.• This could also result in loss of public confidence. | 4 | 1 | 4 | 4 | 1 | 4 | Head of Communications and Business Services Avoid | <ul style="list-style-type: none">• The Office of Public Engagement has a strategy.• Reputational issues are discussed at weekly joint OPCC / Constabulary Comms meeting.• Where necessary the OPCC will develop individual strategies to cover specific reputational issues.• Executive Boards are held in public, with all Decisions, Minutes and Agendas published on the PCC website. This provides transparency regarding the PCC holding the Chief Constable to account. | | | Engagement and Comms Officer | Nov 17 | |

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| Risk Number: 12 | Risk Title: Complaints | Members of the public contact the Office of the Police and Crime Commissioner to complain or raise concerns regarding policing issues. It is important the OPCC deals with these in line with the relevant legislation and where appropriate signpost individuals to the correct body to investigate the matter. |
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| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

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| | | Unmitigated Score | | | Mitigated Score | | | Actions | | | | | | |
|---|---|-------------------|------------|------------|-----------------|------------|------------|---|--|--|--|--------------------|-------------|--|
| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date | |
| Lack of appropriate action or processing of managing quality of service issues or complaints against members of staff, ICV's or the Chief Constable could result in a failure to deal with complaints appropriately, in accordance with legislation or be subject to legal challenge. | This risk could result in financial penalty or claims against the OPCC / PCC, or a reduction in public confidence in the processing of complaints. | 3 | 2 | 6 | 3 | 1 | 3 | Head of Communications and Business Services | Clear policies and procedures are in place to deal with complaints. Legal guidance and support if provided by the Force solicitor or external professionals. Mentoring and support is provided to staff who deal with this area of business. | Internal Audit carried out an audit of the OPCC's complaints system. No issues were found and systems were found to be substantial. The Ethics and Integrity Panel oversee performance of complaints and QSPI's on a quarterly basis and have the ability to dip sample both of these areas of business. | | Governance Manager | Nov 17 | |
| The Policing and Crime Act received Royal Ascent on 31 January 2017. One element is to make it a mandatory roll for PCC's to consider police complaint appeals | This could result in an increased workload for the OPCC to process and consider appeals. It may also increase the number of complaints made against the PCC should a complainant be dissatisfied about the outcome of their appeal. | 3 | 3 | 9 | 2 | 2 | 4 | Head of Communications and Business Services | Some preparatory work has been undertaken in what the potential workload for the OPCC would be. The IPCC and College of Policing are to provide guidance on the changes to the complaint process and misconduct process respectively | | Further work will be required following the issuing of guidance from the IPCC and COP The OPCC will deal with Appeals from June 2018 onwards | Governance Manager | Sept 17 | |
| Following a misconduct hearing the officer can appeal the Panel's decision. | This could result in LQCs and/or IPM's becoming subject to legal challenge and personally liable. | 4 | 3 | 12 | 3 | 1 | 3 | | The Deputy Chief Finance Officer has had confirmation from the PCC's insurers that LQCs/IPMs are indemnified against the cost of any legal proceedings arising out of a misconduct hearing. | | | Governance Manager | Nov 17 | |

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| Risk Number: 13 | Risk Title: Diversity | <p>The Police and Crime Commissioner under the Equality Act 2010 has a responsibility to raise awareness and promote equality and diversity. As part of this role they have due regard to:</p> <ul style="list-style-type: none"> • Eliminate discrimination, harassment and victimisation • Advance equality of opportunity between people who share a relevant protected characteristic and those who do not; • Foster good relations between such groups |
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| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
| Accept | The risk is tolerable/accepted |

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| | | Unmitigated Score | | | Mitigated Score | | | | Actions | | | | |
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| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date |
| The OPCC has a responsibility to develop policy and operational practices in line with Equality legislation, including the undertaking of Equality Impact Assessments, failure to do so would result in the OPCC not complying with its statutory requirements. | Failure to do so could lead to legal challenge, public criticism or loss of public confidence, and some groups and communities being adversely affected or discriminated against. | 3 | 2 | 6 | 3 | 1 | 3 | Head of Communications and Business Services | Equality Impact Assessments undertaken for policies and procedures. Reports contain a section to highlight issues relating to diversity. | Internal Audit inspections undertaken throughout 2015 did not raise any issues in relation to equality or diversity. | Equality statement and strategy reviewed in 2016 Diversity refresher training and Equality Impact Assessment training was provided to all OPCC staff on 14.10.2016 | Governance Manager | Nov 17 |

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| Risk Number: | Risk Title: | The Police and Crime Commissioner is required to operate an effective Independent Custody Visiting Scheme in line with legislation. |
| 14 | Independent Custody Visiting & Animal Welfare Schemes | |

| Risk Mitigation Strategies: | |
|-----------------------------|---|
| Avoid | Stop the risk completely or stop it having an impact. |
| Reduce | Reduce the likelihood and/or impact of the risk |
| Transfer | Outsource, use contractors or insure against things going wrong |
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| What is the cause of the risk? (Lack offailure to.....) | What is the consequence of the described risk? (Results in.....leads to.....) | Impact | Likelihood | Risk Score | Impact | Likelihood | Risk Score | Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept) | Current Controls in Place to Mitigate the Risk | Assurances | Future or further actions to be taken | Action Owner(s) | Review Date | |
| The Police and Crime Commissioner has a statutory responsibility to operate an Independent Custody Visiting Scheme. Including the successful recruitment and training of volunteers. Failure to do so could place the oversight of custody standards and facilities at risk. The actions or inactions of a volunteer could compromise the safety of ICVS, custody staff or detainees when carrying out their visits. | Issues are not identified, progressed and addressed. Volunteers are not recruited and trained to operate the scheme effectively. Could cause irreparable damage to the reputation of the scheme or that of the Commissioner and/or Constabulary. | 2 | 3 | 6 | 2 | 1 | 2 | Governance Manager | Panels currently run at optimum numbers. Any reduction can be covered by the remaining panel members or members from another panel. Induction training is provided to all new panel members, including personal safety guidance when doing visits. Conferences and training seminars are regularly held to provide up to date information. | HMIC & HMP recent inspection of custody suites complimented the operation of the ICV Scheme. New custody visitors have recently been inducted and carrying out visits. | Business continuity on the running of the panels is included within the role profiles for the Panel Chairs and Vice-Chairs. | Governance Manager | Nov 17 | |
| The Commissioner also operates an Animal Welfare Scheme failure to recruit and train the volunteers could result in the scheme failing to operate effectively for oversight of the Constabulary and for Civil Nuclear Constabulary. | The welfare and accommodation provided for police dogs with the Constabulary and at Sellafield will have no oversight or accountability. This may cause reputational damage to all organisations. | 3 | 2 | 6 | 3 | 1 | 3 | Governance Manager | The scheme appoints Animal Welfare Visitors (AWV) from the ICV scheme. Should numbers fall below required levels further recruitment from within the 4 ICV panels can be undertaken. Training is provided to all AWV's upon appointment and on a rolling programme. | The scheme has been complimented by both the Constabulary and Sellafield on its operation. | If no volunteers for AWV role recruitment from the wider community could be undertaken. An exception to existing rules would be required as AWV's need to part of the ICV scheme. | Governance Manager | Nov 17 | |

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| Risk Number: 15 | Risk Title: Non-Financial Governance | The Police and Crime Commissioner has an obligation to adhere to legislation to ensure that the business of the Office of the Police and Crime Commissioner is carried out in accordance with such legislation and agreed policies. |
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|-----------------------------|---|
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| A lack of robust governance/ internal control arrangements, including arrangements for managing risk, could result in areas of OPCC business not operating effectively or in line with legislation and ultimately failing. | Decision making fails to take account of relevant information, procedures and/ or inherent risks resulting in unexpected consequences/poor decision making or judicial challenge. Failure of such controls could result in risks materialising and the potential for fraud, error or irregularity. | 3 | 2 | 6 | 2 | 1 | 2 | Chief Executive | Internal control arrangements are subject to annual review. Reports are required to follow specific formats that takes cognisance of risk, financial, legal implications. The OPCC has processes in place for Business Continuity should a situation occur and normal business practices are suspended for a period of time either wholly or in part. | Internal inspections undertaken by Internal Audit – risk management, business continuity Unannounced testing of business continuity practices by the Chief Executive has not highlighted any issues | | Chief Finance Officer / Governance Manager | Nov 17 |
| Lack of adequate oversight of the Constabulary to ensure they have robust governance/internal control arrangements | The Constabulary fail to carry out their business or business on behalf of the OPCC/Commissioner in an effective or in extreme cases legal way. | 3 | 2 | 6 | 2 | 1 | 2 | Chief Executive | Joint Audit & Standards Committee and the OPCC CFO lead on arrangements for internal audit for both organisations. The chief constable is required to adopt financial regulations and procurement regulations as part of the funding arrangements. The Constabulary must appoint a professionally qualified CFO. The OPCC Governance Manager has specific responsibilities to confirm assurance on force risk management practices. | An internal audit of the Constabulary and OPCC risk management has been undertaken. There were no findings for the Constabulary and the OPCC recommendations are being actioned. | | Chief Finance Officer/ Governance Manager | Nov 17 |

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| Failure by the PCC, OPCC staff to conduct themselves within agreed protocols and codes | Reputational damage to PCC and potentially OPCC. Unlawful actions or decisions taken. | 2 | 3 | 6 | 2 | 1 | 2 | Chief Executive | The OPCC has a number of codes, protocols and frameworks which cover integrity and ethical behaviour. The Governance Manager provides staff with regular reminders about the expectations on them at Team Meetings and via e-mail. In addition registers are reviewed and cross checked regularly. | JASC Internal Audit PCC mandated to act impartially Ethics & Integrity Panel | | Governance Manager | Nov 17 |
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| Risk Number: | Risk Title: | It is in the interests of taxpayers generally and the people of Cumbria in particular for Cumbria to have an efficient and effective police force; There is also a legal requirement for the Police and Crime Commissioner to maintain an efficient and effective police force. |
| 16 | Efficient & Effective Policing | |

| Risk Mitigation Strategies: | |
|-----------------------------|---|
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| | | Unmitigated Score | | | Mitigated Score | | | Actions | | | | | | |
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| The Police and Crime Commissioner has a legal obligation to maintain an efficient and effective police force for Cumbria. At the present time this particularly links to the financial risk identified above, but even without financial uncertainty a police force could become inefficient and/or ineffective. | Taxpayers paying more than they might need to for policing services. Inefficient use of resources being highlighted in external and internal inspections resulting in reputational harm. | 3 | 3 | 9 | 3 | 2 | 6 | Chief Executive (Avoid) | Consideration of reports by HMIC – in particular the PEEL inspection reports and annual VfM report - and the internal and external auditors; monitoring of Constabulary performance, budget monitoring and the Change Programme. | External inspections by HMIC and the external auditors. Internal inspections by internal audit. Work undertaken by the OPCC CFO. Scrutiny by the Police and Crime Panel and Joint Audit and Standards Committee. | Continued monitoring of the Constabulary by the Commissioner; use of VfM data and PEEL inspection reports from HMIC; continued independent scrutiny by the Police and Crime Panel and Joint Audit and Standards Committee. | Chief Executive | Nov 17 | |

NOT PROTECTIVELY MARKED



Joint Audit and Standards Committee

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| TITLE OF REPORT: | Constabulary Quarterly Risk Management Update |
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| DATE OF MEETING: | 21st July 2017 |
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| ORIGINATING OFFICER: | Strategic Development, Corporate Improvement |
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| PART 1 or PART 2 PAPER: | PART 1 (OPEN) |
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Executive Summary:

The purpose of this paper is to provide the Joint Audit and Standards Committee with an update on the Constabulary's risk management arrangements, including a review of the current strategic risk register.

Corporate Improvement has carried out a quality assurance check of all the departmental and operational risk registers to ensure that risk is effectively managed across the organisation. The Strategic Risk Register was presented and approved by the Extended Chief Officer Group on 04th July 2017.

Extended COG agreed to remove risk number 26 in relation to the Constabulary's budget and savings, and replace it with a new risk (28) which also takes account of the possible removal of the 1% public sector pay cap.

Recommendations:

That the Audit and Standards Committee:

Note the Constabulary's current strategic risks, and that a quarterly review of all risk registers was completed in accordance with the Risk Management Policy in June 2017.

MAIN SECTION

1. Introduction and Background

1.1 Strategic Risks

Risk is the threat that an event or action will affect the Constabulary's ability to achieve its organisational aim and objectives.

Each risk is managed at the level where the control to manage the risk resides. Therefore strategic risks are managed by the Chief Officer Group, significant operational risks are managed by Crime and Territorial Policing SMT and significant strategic business risks are managed in the relevant directorate by nominated senior managers. Projects and programmes also have their own risks that are managed by the project / programme teams.

Strategic risks are those affecting the medium to long term objectives of the Constabulary and are the key, high level and most critical risks that the Constabulary faces. Best practice indicates that the number should be between 5 and 10.

The Chief Constable in his 'Annual Statement of Corporate Governance' determines the strategic direction for the Constabulary which is 'Keeping Cumbria Safe'. The Constabulary's key objectives are:

- Engaging with communities and working with partners.
- Preventing crime, road casualties and ASB.
- Managing offenders.
- Managing calls for service.
- Protecting vulnerable people and communities.
- Investigating crime, caring for victims and bringing offenders to justice.

The strategic risks identified by the Constabulary are concerned with:

1. Failure to deliver required change.
2. The impact of change on Constabulary performance.
3. Reduced public confidence and engagement.
4. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme.
5. The implications of longer-term reduction in budget and the level of savings required.

The table on page 3 outlines the Constabulary's five strategic risks and provides the RAG rating (Red, Amber, and Green) for each risk (**RAG risk rating = impact x likelihood**). It also indicates which Constabulary objectives the risks link to.

Strategic Risk Register

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Initial Score | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|--|--|-----------|------------|---------------|--------------|------------------------------|---|
| 25 | ESMCP Programme Executive Stephen Kirkpatrick, Director of Corporate Support | <p>Commitment to the Emergency Services Mobile Communications Programme (ESMCP) and subsequent use of the Emergency Services Network (ESN) has the potential to breach the Constabulary's risk capacity, cost and levels of service provision. This could potentially result in unacceptable levels of service provision; compromise officer safety, increasing costs and loss of reputation.</p> <p>The duration of impact is likely to exceed 2 years.</p> | Very High | Very High | 25 | 25 | All | <p>The Constabulary is working in partnership with other forces and emergency services to deliver ESMCP together as a region.</p> <p>A full business case and options analysis was approved by the ESMCP Board on 29th June 2016 and was presented by the Director of Corporate Support for discussion at Extended COG on 4th October 2016. It was highlighted that there would be significant financial implications for next year's budget. It was agreed that stringent governance around the project would be essential due to its high risk status and the Chief Finance Officer of the Constabulary was asked to discuss the budget requirements with the Chief Finance Officer of the OPCC.</p> <p>It was expected that the new system would go live in late 2017 however the National Programme has announced a time slippage. The programme expects to begin Transition after June 2018. This means that Cumbria Constabulary is likely to transition in late 2018 or early 2019. The Constabulary's ICT Business Development Team is working closely within the Regional Collaboration to manage risk collectively and support the Chief Constable to address any concerns nationally.</p> <p>The risk owner has transferred over to the Director of Corporate Support. There continues to be ongoing active involvement in the regional group. Timescales for delivery nationally are still to be determined. Approval has been given to develop a business case for a replacement Command and Control system, with work actively underway.</p> |

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Initial Score | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|--|--|--------|------------|---------------|--------------|------------------------------|--|
| 28 | The Chief Constable & Chief Financial Officers | <p>As a result of the potential changes to police funding formula, and the potential removal of the public sector pay cap, there may be a detrimental and significant impact on the available budget and a requirement for substantially increased savings. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.</p> <p>If this risk occurs, the Constabulary may have to focus on responsive reactive policing and maintaining public protection functions, but reducing investigative capacity to focus on serious crime only; any volume crime where there is no public safety risk will only be investigated if there is spare capacity.</p> | High | High | 20 | 20 | All | <ul style="list-style-type: none"> Scenario planning for worst case savings has been revised in light of demand work undertaken during 2017. The Police Funding Formula consultation has been delayed. No decision has been reached nationally on the future of the public sector pay cap. Greater certainty on both issues will enable the Constabulary and the Police and Crime Commissioner to develop more detailed plans. A programme of marketing and communications to support the Constabulary and the Police and Crime Commissioner is being developed. Robust challenge regarding the achievability of the required savings has been put forward to Government. The Constabulary is engaging with academics via Plymouth University to support input to the consultation process. |
| 11 | Assistant Chief Constable and Director of | The Constabulary's performance may be adversely affected due to the significant level of change | High | Low | 20 | 8 | All | <ul style="list-style-type: none"> The Change Programme coordinates all change activities and manages risk at programme level and review level. |

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Initial Score | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|---|---|--------|------------|---------------|--------------|------------------------------|---|
| | Corporate Improvement | across the Constabulary as a whole. This may result in adverse publicity and reputational damage, and potential direct intervention from Her Majesty's Inspectorate of Constabulary (HMIC). | | | | | | <ul style="list-style-type: none"> There is a comprehensive Communications Strategy for the Change Programme to improve awareness and engagement, internally and externally. Unison and the Federation are fully engaged in the change management processes. There is robust evaluation of review outcomes to identify areas that may be problematic, with action plans to address the issues. Performance Development Conferences are focused on delivery and wellbeing and the 15 week review process supports delivery and wellbeing at individual level. The Delivering Excellence Strategy is being delivered, the Business Improvement Unit has been established and the Quality Counts initiative is underway across the operational portfolio to improve standards and performance. Monthly tasking and performance meetings, plus PVP and local performance meetings take place to monitor performance levels. Resource allocation to demand for FY 2017/2018 has been completed. |
| 2 | Director of Corporate Improvement & Director of Corporate Support | The Constabulary may not have the capacity to deliver the Change Programme and Corporate Support Business Plan. If this risk occurs the Constabulary would have to find further savings. | High | Low | 10 | 8 | All | <ul style="list-style-type: none"> Dedicated resources have been allocated to the Change Programme and significant additional investment has been approved and is scheduled for ICT during 2017/18 to deliver the programme of work. Two strategic planning days (January and March 2017) will determine resource requirements and scheduling over the next 12 to 24 months and inform the training and communications programme of work. |

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Initial Score | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|--|--|--------|------------|---------------|--------------|------------------------------|---|
| | | | | | | | | <ul style="list-style-type: none"> Governance arrangements for monitoring the progress of delivery and outcomes are via regular and frequent FSDB meetings which coordinates all business change strategies. A revised Corporate Plan is being developed which includes Change, ICT and other Corporate Support functions. A dedicated lead has been appointed to support delivery of Cumbria Vision 2025. |
| 23 | The Deputy Chief Constable and Head of Professional Standards Department (PSD) | There may be reduced public confidence in the Constabulary and reduced engagement with frontline police officers and staff due to a perceived (because of current national media focus and government communication) or actual lack of integrity amongst police officers and staff. This would result in significant reputational damage and a potential drop in performance because of less public support. | High | Medium | 9 | 6 | All | <ul style="list-style-type: none"> Comprehensive policy framework including confidential reporting line and whistleblowing. Regularly reviewed and updated. Training and awareness as a direct result of specific incidents that have happened in the force. Ethical audits – business interests and internet usage. User satisfaction, including treatment by officers and staff, as part of performance framework and processes. Quarterly reports to PCC on all professional standard issues and complaints. PCC audit through dip sampling of complaints cases. There is a PSD Control Strategy in place which is reviewed every 6 months. Development of transparency arrangements with public. Well Being Strategy approved by COG in May 2016. HMIC Legitimacy inspection completed in June 2016 resulted in an overall 'good' grading. College of Policing (CoP) Code of Ethics Training continues to be delivered across the Constabulary. The Professional Standards Department has formed a working group (consisting of a number of police officers from across the force) to help develop new and innovative ways of |

| Risk Ref No | Responsible Officer(s) | Risk Description | Impact | Likelihood | Initial Score | Latest Score | Link to Strategic Objectives | Summary of mitigating actions already taken |
|-------------|------------------------|------------------|--------|------------|---------------|--------------|------------------------------|--|
| | | | | | | | | <p>embedding the CoP Code of Ethics, and to build on existing processes.</p> <ul style="list-style-type: none"> • A specific delivery plan has been developed to enable the Constabulary to deal with officers who abuse their authority for sexual gain. The plan addresses recommendations made by both HMIC and the IPCC. • Significant and robust external and internal Communications Strategies are developed in response to emerging issues. • The PSD has now merged with the People Department. There are three new delivery plans in place (signed off by COG) in relation to: <ul style="list-style-type: none"> • 1. Tackling Abuse of Authority for Sexual Gain, behaviour which is now classed as serious corruption by the IPCC (partnership and Force launch planned for July 2017) • 2. Vetting – investment of 1.6FTE to ensure Cumbria's vetting practice in line with national guidelines • 3. Code of Ethics – renewed plan (managed by a focus group of staff) to seek innovative ways to continually embed the Code of Ethics in business as usual • In addition, the Complaints department has recently launched its person centered, values based approach to dealing with public complaints (Delver, Support, Inspire), and will see the introduction of complaint service agreements. |

Risk Tolerance Levels

Risk Score 1-4

Acceptable.

No action is required but continue monitoring.

Risk Score 5-12

Tolerable risks but action is required to avoid a Red status.

Investigate to verify and understand underlying causes and consider ways to mitigate or avoid within a specified time period.

Risk Score 15-25

Unacceptable. Urgent attention is required.

Investigate and take steps to mitigate or avoid within a specified short term.

1.2 Drivers for Change

Effective risk management is a key component of effective corporate governance. Managing risk will contribute towards delivery of the strategic priorities. There are potential significant consequences from not managing risk effectively.

Robust risk management will help improve decision-making and drive corporate activity that represents value for money.

Effective risk management will help protect the reputation of the Constabulary and the Office of the Police and Crime Commissioner, safeguard against financial loss and minimise service disruption.

1.3 Consultation processes conducted or which needs to be conducted

Individual risk owners have been consulted as part of the standard risk management arrangements.

1.4 Impact assessments and implications on services delivered

Not applicable- described in the risk register where appropriate.

1.5 Timescales for decision required

Not applicable to this report.

1.6 Internal or external communications required

None.

2. Financial Implications and Comments

Any financial implications are described in the relevant risks outlined within this report.

3. Legal Implications and Comments

Any legal implications are described in the relevant risks outlined within this report.

4. Risk Implications

The Constabulary's risks are described in section one of this report.

5. HR / Equality Implications and Comments

Any HR / Equality implications are described in the relevant risks outlined within this report.

6. ICT Implications and Comments

Any ICT implications are described in the relevant risks outlined within this report.

7. Procurement Implications and Comments

Any procurement implications are described in the relevant risks outlined within this report.

8. Supplementary Information

9.1 List any relevant documents and attach to report

| | |
|-------------------|---------------------|
| Appendix 1 | Risk Scoring Matrix |
|-------------------|---------------------|

9.2 List persons consulted during the preparation of report

- All Departmental risk owners.
- Territorial Policing and Crime Command risk owners.
- Extended Chief Officer Group.

Risk Scoring Matrix

| Impact Score | Description | | | | | |
|--------------|-------------|---|---|---|-------------------------------------|---|
| | | IMPACT ON SERVICE PROVISION | FINANCIAL IMPACT | IMPACT ON PEOPLE | DURATION OF IMPACT | IMPACT ON REPUTATION |
| 5 | Very High | Unable to function, inability to fulfil obligations | Severe financial loss > £3M | Multiple fatalities | In excess of 2 years | Highly damaging, severe loss of public confidence or being declared a failing Force |
| 4 | High | Significant impact on service provision | Major financial loss £1M to £3M | Fatality | Between 1 year - 2 years | National publicity, major loss of confidence or serious IPCC complaint upheld |
| 3 | Medium | Service provision is disrupted | Significant financial loss £500k to £1M | Serious injury, RIDDOR reportable | Between six months to 1 year | Some adverse local publicity, legal implications, some loss of confidence |
| 2 | Low | Slight impact on service provision | Moderate financial loss £100k to £500k | Slight medical treatment required | 2 to 6 months | Some public embarrassment, or more than 1 complaint |
| 1 | Very Low | Insignificant impact, no service disruption | Insignificant financial loss < £100k | First Aid treatment only No obvious harm/injury | Minimal - up to 2 months to recover | No interest to the press, internal only |

| Likelihood Score | Tolerance Levels – Likelihood Assessment | |
|------------------|--|--|
| 5 | Very High | A risk has a very high score if there is a 90% or more chance of it happening every year. This means that it is almost certain to happen regularly. |
| 4 | High | A risk has a high score if there is a 65% to 90% likelihood of it happening at some point over the next 3 years. Basically, it probably will happen but it won't be too often. |
| 3 | Medium | A risk has a medium score if the likelihood of it happening is between 20% and 65% over the next 10 years. This means it may happen occasionally. |
| 2 | Low | A risk has a low score if the likelihood of it happening is between 5% and 25% at some point in the next 25 years. This means it is not expected to happen but it is possible. |
| 1 | Very Low | A risk has a very low score if the likelihood of it happening is less than 5% over 100 years. Basically, it could happen but it is most likely that this would never happen. |

| | | Impact | Impact | Impact | Impact | Impact |
|------------|---------------|--------------|---------|------------|---------|---------------|
| | | Very Low (1) | Low (2) | Medium (3) | High(4) | Very High (5) |
| Likelihood | Very High (5) | 5 | 10 | 15 | 20 | 25 |
| Likelihood | High (4) | 4 | 8 | 12 | 16 | 20 |
| Likelihood | Medium (3) | 3 | 6 | 9 | 12 | 15 |
| Likelihood | Low (2) | 2 | 4 | 6 | 8 | 10 |
| Likelihood | Very Low(1) | 1 | 2 | 3 | 4 | 5 |
| | | Impact | Impact | Impact | Impact | Impact |

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Monitoring Key Audit Recommendations





Introduction

This report is designed to monitor the implementation of recommendations and actions arising from Audit and Inspection.

If fulfills the assurance responsibilities of the Audit and Standards Committee with regards to the implementation of control recommendations and best practice arising from Audit and Inspection work.

Report Summary

| Summary of Actions | PCC | CC | Joint | Total |
|--|----------|-----------|----------|-----------|
| Open actions b/fwd from last report | 0 | 5 | 0 | 5 |
| New actions since last report | 1 | 15 | 1 | 17 |
| Total actions this report | 1 | 20 | 1 | 22 |
| Actions completed since last report | 0 | 6 | 1 | 7 |
| Open actions c/fwd to next report | 1 | 14 | 0 | 15 |

| Summary of Total Actions by Status | PCC | CC | Joint | Total |
|--|----------|-----------|----------|-----------|
|  Completed | 0 | 6 | 1 | 7 |
|  Ongoing | 0 | 12 | 0 | 12 |
|  timescale exceeded | 0 | 0 | 0 | 0 |
|  not yet due | 1 | 2 | 0 | 3 |
| Total | 1 | 20 | 1 | 22 |

Key to Grade:

Cumbria Shared Internal Audit Service

| Grade/Priority | |
|-----------------------|---|
| High | Significant risk exposure identified arising from a fundamental weakness in the system of internal control. |
| Medium | Some risk exposure identified from a weakness in the system of internal control. |
| Advisory | Minor risk exposure/suggested improvement to enhance the system of control. |

Members have requested that this summary of recommendations report provides an update on actions where the recommendation was graded High/Medium only. Minor Advisory recommendations are monitored by individual managers.

External Audit – Grant Thornton

| Grade/Priority | |
|-----------------------|--------------------------------------|
| High | Significant effect on control system |
| Medium | Effect on control system |
| Low | Best practice |

| Audit Report | Report Date | Report emailed to JASC Members | Report considered by JASC Meeting | Report Of | Recommendation | Grade | Person Responsible | Agreed / Intended Action / Progress Update | Target Date | Revised Target Date | Status |
|--|-------------|--------------------------------|-----------------------------------|-------------------------------|--|--------|---|--|---------------------------|---------------------|--------|
| Main Financial System - Creditors (CC) | 22/04/2016 | N/A | 03/05/2016 | Shared Internal Audit Service | R1 Once the Central Services Department review is finalised arrangements should be made to review and update accounts payable procedures and ensure the following :- • Staff are made aware of new / updated procedures and where to access them with training provided where necessary. • Procedures are dated or version controlled. • Only the latest versions of procedures should be available for staff to follow. • Procedures are kept under regular review. | Medium | Head of Central Services Ann Dobinson | Current processes are being reviewed by the Change Team as part of the Admin Review (Phase 1). CSD management are working closely with the Change team to review, amend and implement new streamlined processes and procedures. New agreed processes will be documented and staff will be provided with full training as necessary. All new procedures will be version controlled, held easily accessible and regularly reviewed. June 2016 - Work on the process review is ongoing with regard to some process. A more detailed review of the procure to pay process is being undertaken by the Change Team with meetings planned for July and August 2016. August 2016 - A consultancy firm has been appointed to review the Procure to Pay processes and are working to assist the Change Team, this work will be concluded in October/November with new processes/workflows being implemented during December 2016. Review again end of December 2016 November 2016 - Process improvement investigations are complete, an implementation plan is currently being developed by Change Programme for implementation over the coming months. A revised target date for implementation of the process improvements is December to March 2017, with the caveat some of the system improvements will be reliant on ICT availability to deliver redesigned forms and workflows. February 2017 - Work is ongoing to review and implement process improvements as identified by the Change Programme. For process improvements non ICT reliant these will be implemented by 31 March 2017 with full supporting procedures. System improvements reliant on ICT availability to deliver will be implemented as part of a wider review programme. July 2017 – non system reliant improvements have been implemented and process maps amended to cater for any changes. Other work is still ongoing as part of the review and process maps will be amended as necessary. | May - September 2016 | 31/03/2017 | |
| Cumbria's Multi-Agency Safeguarding Hub (CC) | 04/11/2016 | 04/11/2016 | 24/11/2016 | Shared Internal Audit Service | R1 Hub resources should be fully considered in terms of the skills, qualifications and experience required to fulfil defined responsibilities, operate the Hub effectively and deliver improvements. The agreed requirements and individual partner contributions should be formally reflected in a signed funding agreement that is properly communicated, including to individual partner leadership boards. | Medium | Chair of the Programme Board C/O DI Brian Murray | The Programme Board, which met on 27th October, established a Task and Finish Group which met on 27th October 2016 and will ensure that the updated MOU is in place by 5th January 2017 and is agreed / endorsed by the Board. The MOU will capture the issue regarding multi-agency resourcing. February 2017 - Issues of Hub governance are dealt with by the programme board. the MOU is currently under discussion. This is not yet complete because health are a statutory partner and are currently undergoing significant restructure under the strengthening families programme of which their contribution to the hub is part. June 2017 - The partnership has commissioned an external review of the hub process and model which is currently under way, the company doing the review are Ad Esse and their report is expected to be available around mid-July. | 31/01/2017 | 31/08/2017 | |
| Self Service Travel Expenses & Overtime (CC) | 22/02/2017 | 22/02/2017 | 15/03/2017 | Shared Internal Audit Service | R1 Where policy documents are made available on the Constabulary's website, arrangements should be put in place to ensure only the most recent version is published. | Medium | Head of Central Services Ann Dobinson | Arrangements will be made to remove the outdated policy from the Cumbria Constabulary website. July 2017 - Policy removed from the Website on 27.2.17 | 28/02/2017 | - | |
| Self Service Travel Expenses & Overtime (CC) | 22/02/2017 | 22/02/2017 | 15/03/2017 | Shared Internal Audit Service | R3 Procedures should give greater clarity with regard to the roles and responsibilities of officers, managers and CSD in respect of driver licence details. | Medium | Head of Central Services Ann Dobinson | New forms are being devised in line with the new procedures along with a full review of all officers and staff claiming mileage. The new form includes the requirement to submit insurance and MOT documentation; this will be completed in the next couple of months. June 2017 - Work is ongoing to create self-service forms within the payroll system and a full review of all claimant records is underway. This should be completed and implemented by the end of August 2017 | 31/05/2017 | 31/08/2017 | |
| Self Service Travel Expenses & Overtime (CC) | 22/02/2017 | 22/02/2017 | 15/03/2017 | Shared Internal Audit Service | R4 Management should ensure arrangements are in place to confirm that all aspects of the Business Travel and Expenses procedures are complied with. | Medium | Head of Central Services Ann Dobinson | As part of this new documentation Line Managers will be reminded of their obligations in connection with Driving licence details as defined in the policy document. June 2017 – Travel & Expenses procedures clearly document Line Mangers obligations as well as that of individual drivers. Further reminders will be issued to all staff in relation to obligations when the new self-service forms are implemented. | 31/05/2017 | - | |
| Digital Case File Preparation (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R1 Arrangements to ensure the robustness of digital case files at an earlier stage should be strengthened taking into consideration the outcomes of the Strategic Development Unit's review. | High | Temp Supt CIU/Partnerships Gordon Rutherford | The Chief Officer commissioned review will report to COG in May 17. The evidence-gathering phase took place from January to March, with the team now considering data analysis and findings. Once recommendations as to future structure of CIU and the file checking function are considered and approved by Chief Officers, then they will be implemented before September 30th 2017. June 2017 - The primary causes of file quality issues was identified as a training/knowledge gap, together with a number of national developments. To address this gap, Chief Officers approved a number of measures, increased in staffing within CJ, introduced Area Compliance Teams and a CJ trainer post. The trainer has worked to deliver a comprehensive package of training for all front line officers. This training is informed by issues raised in the file quality process. A recent example, raised by CPS, relates to lack of understanding about disclosure of undermining material. The trainer has developed a package of learning material on the subject that is being rolled out now. Further to that there will be a day's file quality training given to all officers from September 2017. | June 2017 to 30 Sept 2017 | | |

| Audit Report | Report Date | Report emailed to JASC Members | Report considered by JASC Meeting | Report Of | Recommendation | Grade | Person Responsible | Agreed / Intended Action / Progress Update | Target Date | Revised Target Date | Status |
|--|-------------|--------------------------------|-----------------------------------|-------------------------------|--|--------|--|--|-------------|---------------------|--------|
| Digital Case File Preparation (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R2 Management should ensure that mitigating actions used in the risk assessment process are fully explored and challenged to effectively determine the level of risk mitigation actually provided. | Medium | Temp Supt CJU/Partnerships Gordon Rutherford | This was a housekeeping issue. The risk has been reviewed and mitigating actions updated. The score has been revised from 4 to 8 to reflect the ongoing work. This will be subject to monthly review at TPSMT chaired by the C/Supt TPA. June 2017 - The documented risk is reviewed quarterly at TPSMT level. However, the Head of Criminal Justice maintains excellent contact with CPS and HMCTS partners, together with a weekly view, through contact with CJ and Compliance Teams around issues that emerge and those that are ongoing. | 28/02/2017 | | ⚙ |
| Digital Case File Preparation (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R3 (1) Management should ensure that digital case file training is rolled out to all appropriate officers across the force. | Medium | Temp Supt CJU/Partnerships Gordon Rutherford | The Constabulary Training Panel has approved the file quality training proposal and this will be delivered Sept to Nov 17 to all staff. In the meantime, the CJU trainer is continuing to deliver training across the force utilising Area Training Days. June 2017 - The trainer has worked to deliver a comprehensive package of training for all front line officers. This training is informed by issues raised in the file quality process. The trainer has developed a package of learning material on the subject that is being rolled out now. Further to that there will be a day's file quality training given to all officers from September 2017. | 30/09/2017 | | ⚙ |
| Digital Case File Preparation (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R3 (2) Arrangements should be in place to ensure that information bulletins contain appropriate information and communicate key issues consistently to the relevant audience. | Medium | Temp Supt CJU/Partnerships Gordon Rutherford | This has been actioned. With effect from February 2017 one force wide bulletin will be issued. Note – the frequency of the bulletin is Monthly now due to the reduced demand to get key messages out. | 30/09/2017 | | ⚙ |
| Digital Case File Preparation (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R3 (3) The effectiveness of training activity and communications should be monitored to ensure that they contribute to improvements in digital case file quality. | Medium | Temp Supt CJU/Partnerships Gordon Rutherford | Links to interventions are being evaluated using work based techniques. June 2017 - All CJ performance is monitored via local meetings, Criminal Case Management, Prosecution Team Performance Management. TSJ Dip Sample of files - On May 4th 5th 2017 the CJU manager, Area Compliance Sgt , CPS lawyer, HMCTS rep met to review 40 cases files and to assess them against national file quality standards. Although there is no national single measure for file quality, over 90% of the cases contained sufficient material to proceed at court and were considered by CPS and HMCTS to be 'good quality files'. This is the strongest indicator yet that file quality is improving. | 30/09/2017 | | ⚙ |
| Digital Case File Preparation (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R4 Defined policies and procedures should be prepared and approved in accordance with the Constabulary's established process. | Medium | Temp Supt CJU/Partnerships Gordon Rutherford | The National Manual of Guidance is currently being redrafted to reflect changes in national digital file transfer processes. The Constabulary work needs to take cognisance of the national requirement. This work can be picked up via the ACTs and CJU Trainer. Embedded processes exist but for new recruits and staff it is accepted that these need to be made explicit in the form of written documentation. June 2017 - The national Manual of Guidance (MOG) is the single reference document for how to prepare court cases. This document is under national review at this time. To simplify basic file submission processes an electronic reference document is being created. This in principle will condense the requirements within the MOG in an easier to understand and navigate, reference document. This is a considerable task but will prove to be a valuable resource for officers. This should be available by September 2017. | 30/09/2017 | | ⚙ |
| Digital Case File Preparation (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R5 Management should continue to explore the reason for the error rate and explore options for improving the efficiency of the oversight / review mechanisms. | Medium | Chief Officer Group | Chief Officers have commissioned Strategic Development Unit to undertake an activity analysis of the file QA process covering Area Compliance Teams, training and CJU structure. This review will report to COG in May with recommendations for implementation before the end of September 2017. July 2017 - A report is due to be presented to COG in July 2017. | 30/09/2017 | | ⚙ |
| Receipt, Handling and Disposal of Drugs (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R1 A policy and supporting procedures should be in place in respect of the arrangements for receiving, recording, storing and disposal of seized drugs. | High | DCI Stalker | We recognise there is a weakness in relation to policy and procedure re seized drugs and work is being undertaken in force to remedy this. Policy and procedure is being written and will be approved at Ops Board. One agreed it will be disseminated to staff. We will put arrangements in place to ensure compliance with policy and procedure. June 2017 - The procedures document has been written, to reflect our practices and some amendments around role/ responsibilities. This has gone to consultation with some affected parties and now sits with the Head of Crime, Mr Slattery for final sign off. Once approved it will be submitted to the next Operations Board (next meetings 21/07 or 17/08). | 30/06/2017 | | ⚙ |
| Main Accounting System (Joint) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R1 The arrangements for virements, as outlined in the financial regulations and financial rules, should be complied with. | Medium | Principal FS Officer Mark Carter | A named budget holder will be assigned to each Cost Centre and Project. Financial Services to maintain a record of all virements and to check all virements have been approved by the appropriate person. In additional Financial Services Staff will be reminded of the appropriate regulations, funding agreement and budget protocols concerning the approval of budget virement. June 2017 - an e-mail was sent to all Finance Staff on 15/05/17 to reiterate the approval requirements for virements. The requirement has also been re-inforced at a team meeting. In addition, a reporting manager has been assigned to all Cost Centres and Projects for 2017/18. | 30/04/2017 | - | ⚙ |
| Use of Stingers (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R1 A mechanism should be developed to give management assurance that stingers are being deployed in accordance with national guidance. | High | Superintendent Operations Mark Pannone | A policy document will be prepared to be agreed at Executive level. The document will incorporate the areas identified as part of the audit. We will implement systems to ensure compliance with the policy document and national guidance. June 2017 - In order to formalise activity taking place a procedural document is being completed. This will provide a clear process for procedures, roles, responsibilities and review of the use of stingers. | 31/08/2017 | - | ⚙ |

| Audit Report | Report Date | Report emailed to JASC Members | Report considered by JASC Meeting | Report Of | Recommendation | Grade | Person Responsible | Agreed / Intended Action / Progress Update | Target Date | Revised Target Date | Status |
|-----------------------------------|-------------|--------------------------------|-----------------------------------|-------------------------------|---|--------|---|--|--|---------------------|--------|
| Use of Stingers (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R2 The wider arrangements around stinger usage should be clearly defined and communicated to those involved and give greater clarity around procedures, roles and responsibilities. | High | Superintendent Operations Mark Pannone | An operational framework for stingers will include named roles and responsibilities and will be communicated to officers. June 2017 - In order to formalise activity taking place a procedural document is being completed. This will provide a clear process for procedures, roles, responsibilities and review of the use of stingers. | 31/08/2017 | - | ⚙ |
| Use of Stingers (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R3 The arrangements for ensuring that the driver training system alerts are actioned and the necessary refresher training is delivered on a timely basis should be clearly defined and communicated. | Medium | Superintendent Operations Mark Pannone | We will rationalise the procedures in place within our operating framework for current systems with a view to implementing the Chronicle system over a longer period. June 2017 - Cumbria are in the process of implementing a driver training software program which will allow greater scrutiny and management of training in this area. | 31/08/2017 | - | ⚙ |
| Use of Stingers (CC) | 08/05/2017 | 08/05/2017 | 24/05/2017 | Shared Internal Audit Service | R4 There should be mechanisms in place to review pursuit information involving stingers so that management can be assured that improvement opportunities are maximised. | Medium | Superintendent Operations Mark Pannone | The extent and frequency of debriefs will be outlined and delivered as part of driver training. Specific expectations on when debriefs will take place and in what format will be documented. June 2017 - In order to formalise activity taking place a procedural document is being completed. This will provide a clear process for procedures, roles, responsibilities and review of the use of stingers. | 31/08/2017 | - | ⚙ |
| Information Security (CC) | 13/04/2017 | 13/04/2017 | - | Shared Internal Audit Service | R1 The responsibility of managers to adjust the access permissions of staff who change jobs in the constabulary should be clearly defined and communicated. | Medium | The Head of People (incl Professional Standards) Supt. Sarah Jackson | The responsibility of managers to adjust the access permissions of staff who change jobs within the constabulary will be defined within the Information Security Policy. June 2017 - These responsibilities are not currently included in Policy, and are dealt with on behalf of the business only sporadically in that the removal of access is largely reliant on ICT Dept picking up requirements for changes where they are able: (a) ICT Dept have created a weekly task to identify and amend permissions for leavers / role-changers for some systems, or as part of service requests relating to other matters. However, the only core systems currently covered by this are: PoliceWorks, SLEUTH, STORM, Duties Management System (b) Caroline Patterson is now formalising these processes such that ICT Dept will continue to act as a back-stop for these systems, but this is a supplementary process and does not replace the need for effective management of change by the business. Actions Taken 1. Responsibilities will be documented in Section 4.3 of Information Management Strategy at next revisal in Nov 2017, reflecting the following improvements to current processes: Make clear that managing access permissions is an IAO (ie business) responsibility, not ICT Dept or HR. 2. Revised processes have been introduced for supervisors within the business to own responsibility for managing access permissions for all personnel under their command, and to ensure that permissions for role-changers and leavers are revoked where no longer needed, in a timely fashion. Specifically: (a) Internal staff and officer moves into new roles or new departments happen frequently. Managers inform the HR Department of moves by submitting an establishment change form. A section has been added on to this form requiring current managers to check the permissions of their officers / staff and remove any which are not relevant to their new role. Where appropriate, requests to remove permissions are to then be submitted by the manager direct to the ICT Service Desk portal. (b) Any internal staff recruitment into new roles will be captured by CSD Employee Services who will send an email to new line managers requiring them to review permissions and check if previously held permissions are required in their new role. This will specifically include reviewing: i. Access to group e-mail accounts, ii. Access to shared Sharepoint folders, iii. Access to G (Group) drives | 31/05/2017 | 31/12/2017 | ⚙ |
| Information Security (CC) | 13/04/2017 | 13/04/2017 | - | Shared Internal Audit Service | R2 Arrangements should be in place for managers to periodically confirm the access permissions of their staff. | Medium | The Head of People (incl Professional Standards) Supt. Sarah Jackson | We accept that we do not currently have a mechanism in place for managers to periodically confirm the access permissions of their staff. We will pursue this recommendation by instigating Business Systems to undertake an annual check of all system access permissions, which can be shared with relevant supervisors to check and return for amendment. June 2017 - This is also not rigorously done although recognised as an IAO (ie business) responsibility. Actions Taken: IAO responsibility will be clearly documented in the IMS as for Recommendation 1 above, but it is recognised could be difficult to resource within the relevant business units against other priorities. A new support process is therefore being introduced by the RISM, for ICT to generate lists of authorised users for core IAO systems, plus Outlook and Direct Access, on a rolling basis. RISM will then review these on behalf of the business and make changes / recommendations in consultation with business leads as appropriate. | 31/05/2017 | - | ⚙ |
| Police Officer Pensions (CC) | 09/05/2017 | 09/05/2017 | - | Shared Internal Audit Service | R1 Procedures for pension administration tasks undertaken within Central Services Department should be defined, documented and communicated to the team. | Medium | Head of Central Services Ann Dobinson | We will ensure that procedures are documented. May 2017 - Procedures have been documented, version controlled and communicated to all Employee Services staff | 31/05/2017 | - | ⚙ |
| Command and Control (CC) | 26/06/2017 | 26/06/2017 | 21/07/2017 | Shared Internal Audit Service | R1 Management should have arrangements in place to demonstrate that decisions taken in relation to performance data / information are subject to scrutiny and challenge and are formally approved. | Medium | Chief Inspector Control Room | Command and Control will have a specific agenda item on the Operations Board meetings moving forward to ensure that decisions on performance data can be demonstrated. | 31/07/2017 | | ⚙ |
| Command and Control (CC) | 26/06/2017 | 26/06/2017 | 21/07/2017 | Shared Internal Audit Service | R2 Management should ensure that expectations regarding frequency and focus of quality assurance checks within the Command and Control room are clearly defined and communicated. | Medium | Chief Inspector Control Room | A piece of work is being undertaken in the Command and Control Room to bring all its quality assurance arrangements together. This includes formalising the process for quality assurance checks and updating the guidance manual and other relevant documents accordingly. | 31/10/2017 | | ⚙ |
| Annual Governance Statement (PCC) | 05/07/2017 | 05/07/2017 | 21/07/2017 | Shared Internal Audit Service | R1 a) Areas included in the Development and Improvement plan should readily link back to the narrative in the AGS. b) Actions in the Development and Improvement plan should be clearly defined and measurable so that achievement can be monitored. c) Longer term actions spanning more than one year in the Development and Improvement plan should be updated to reflect progress made and action still to be taken to achieve the required outcome. | Medium | Joint Chief Finance Officer Roger Marshall | The Annual Governance Statement will be amended to incorporate actions in the main body of the report. For the future we will seek to provide a better cross check between the statement narrative and the action plan. Having reviewed the development and improvement plan actions for 2017-18 the majority of actions have clear and measurable outcomes, however the statement will be amended to provide greater clarity where this is not the case. For longer term actions spanning more than one year and update on progress is generally made at the end of each year. | 31 July 2017 for amendments to specific actions 30 April 2018 for more general cross referencing. | | ⚙ |

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The Joint Audit Findings for The Police and Crime Commissioner for Cumbria and The Chief Constable for Cumbria Constabulary

Year ended 31 March 2017

July 2017

Robin Baker

Director

T 0161 214 6399 or 07880 456159

E robin.j.baker@uk.gt.com

Richard McGahon

Senior Manager

T 0141 223 0889 or 07880 456156

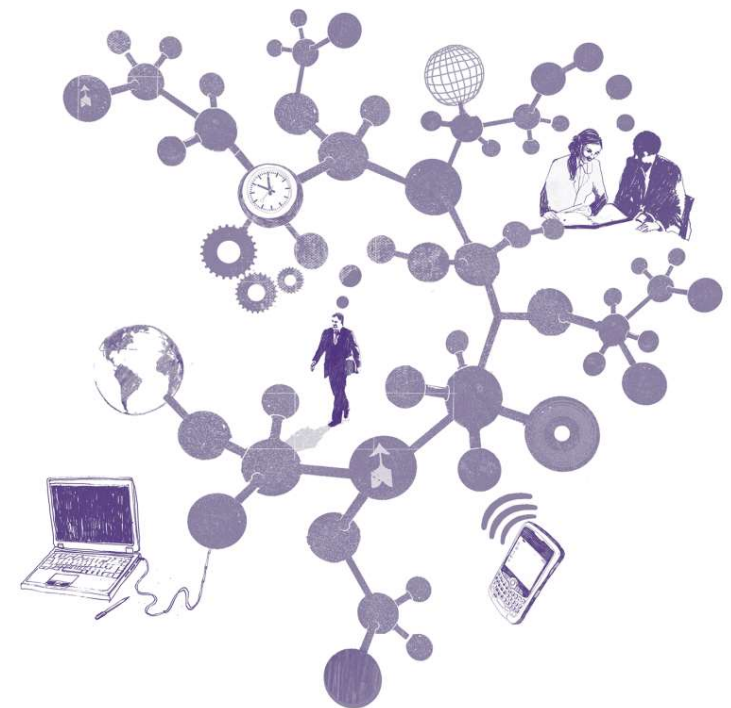
E richard.a.mcgahon@uk.gt.com

Laurelin Griffiths

Assistant Manager

T 0121 232 5409 or 07974 179055

E laurelin.h.griffiths@uk.gt.com



Mr Peter McCall
The Police and Crime Commissioner for Cumbria
The Office of the Police and Crime Commissioner
Carleton Hall
PENRITH
Cumbria CA10 2AU

Mr Jerry Graham
Chief Constable
The Chief Constable for Cumbria Constabulary
Carleton Hall
PENRITH
Cumbria CA10 2AU

Grant Thornton UK LLP Royal
Liver Building
Liverpool
L3 1PS

T +44 (0)151 224 7200

www.grant-thornton.co.uk

July 2017

Dear Mr McCall and Mr Graham

Audit Findings for Cumbria Police and Crime Commissioner and Cumbria Chief Constable for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audits of the Police and Crime Commissioner and Chief Constable for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. For police bodies, those charged with governance are the Police and Crime Commissioner and the Chief Constable for the respective corporations sole. The contents of the report have been discussed with officers.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by management, the finance team and other staff during our audit.

Yours sincerely

Robin Baker

Engagement Lead

Chartered Accountants

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Cumbria Police and Crime Commissioner ('the PCC') and Cumbria Chief Constable and the preparation of the financial statements of the group, the PCC and the Chief Constable for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the PCC's and the Chief Constable's financial statements give a true and fair view of the financial position of the respective bodies and their income and expenditure for the year and whether the financial statements have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), whether it is consistent with the financial statements or materially inconsistent with our knowledge of the PCC and the Chief Constable.

We are required to carry out sufficient work to satisfy ourselves on whether the PCC and the Chief Constable have each made proper arrangements to secure economy, efficiency and effectiveness in their use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide conclusions whether in all significant respects, the PCC and the Chief Constable have each put in place proper arrangements to secure value for money through economic, efficient and effective use of their resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audits that in our opinion should be considered by the PCC or the Chief Constable or both, or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the PCC or the Chief Constable or both and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Joint Audit Plan dated 2 March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Information on the movements in pension membership data during the 2016/17 year;
- Receipt of a response to our request for information from the auditor of the Local Government Pension Fund;
- Review of the final version of the financial statements;
- Review of revised versions of the Annual Governance Statements;
- Review of the management letters of representation; and
- Update of our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and excellent accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting either the Chief Constable's or the PCC's reported financial position. The financial statements for the group for the year ended 31 March 2017 recorded net expenditure on the provision of services of £25.62 million. We have recommended a small number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the PCC's and Chief Constable's financial statements are:

- The draft financial statements were prepared and provided to the audit team by 31 May 2017, in advance of the statutory timetable;
- The financial statements were of a very high standard, with only minor amendments required;
- The accounts were supported by excellent quality working papers which supported the figures in the accounts and clearly evidenced the judgements made; and
- The finance team were proactive in engaging with the audit team in order to complete significant amounts of audit work before our visit in June 2017.

Further details are set out in section two of this report.

At this stage there are no material errors or uncertainties arising from our audit. We anticipate providing a unqualified audit opinion in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable (see Appendix A). We also anticipate providing an unqualified opinion in respect of the Chief Constable's financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with each of the audited financial statements is consistent with the financial statements. This includes considering if the Annual Governance Statements do not meet the disclosure requirements set out in the CIPFA / SOLACE guidance or are misleading or inconsistent with the information of which we are aware from our audits.

Based on our review of the PCC's and Chief Constable's Narrative Reports and AGSs we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGSs meet the requirements set out in the CIPFA / SOLACE guidance and that the disclosures included in the Narrative Reports are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The PCC's and Chief Constable's management are responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the systems of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the PCC and Chief Constable.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the PCC and Chief Constable each had proper arrangements in place to secure economy, efficiency and effectiveness in their use of resources.

The PCC and Chief Constable have appropriate arrangements in place to manage their financial position and the Constabulary has considered the potential impact of changes to the Police Funding Formula and how it would respond. The Constabulary has been assessed as good in Her Majesty's Inspectorate of Constabulary's (HMIC's) Police effectiveness, efficiency and legitimacy (PEEL) review 2016 and has arrangements in place to respond to HMIC reports.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Further details of our work on other statutory powers and duties is set out in section four of this report.

The way forward

Matters arising from the financial statements audits and our review of the PCC's and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources have been discussed with the Joint Chief Finance Officer of the PCC and Chief Constable, as well as with the PCC and Chief Constable as the two individuals charged with overall governance for the office of the PCC and the Constabulary respectively.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by management, the finance team and other officers in both the office of the PCC and the police force during our audits.

Grant Thornton UK LLP
July 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

In performing our audits, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our joint audit plan, we determined overall materiality for the financial statements as a proportion of the smaller of gross revenue expenditure of the PCC and the gross revenue expenditure of the Chief Constable. This was £2,750,000 (being 2% of gross revenue expenditure of the PCC (Single Entity)). We have considered whether this level remained appropriate during the course of the audits and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £137,000. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

| Balance/transaction/disclosure | Explanation | Materiality level |
|---|--|---|
| Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements | Due to public interest in these disclosures and the statutory requirement for them to be made. | £10,000 |
| Related Party Transactions | Due to public interest in these disclosures and the statutory requirement for them to be made. | £10,000 – individual misstatements will also be evaluated with reference to how material they are to the other party. |

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Joint Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

| | Risks identified in our audit plan | Relevant to PCC / Chief Constable / Both? | Work completed | Assurance gained and issues arising |
|---|---|---|--|---|
| 1 | <p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | Both | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted for both the PCC and Chief Constable because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • for the PCC opportunities to manipulate revenue recognition are very limited as revenue is principally grant allocations from central and local government; • for the Chief Constable opportunities to manipulate revenue recognition are very limited as revenue is principally an inter-group transfer from the PCC, with no cash transactions; and • the culture and ethical frameworks of local authorities, including Cumbria PCC and Chief Constable, mean that all forms of fraud are seen as unacceptable. | Our audit work has not identified any issues in respect of revenue recognition. |
| 2 | <p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p> | Both | <ul style="list-style-type: none"> • review and challenge of accounting estimates, judgements and decisions made by management • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of unusual significant transactions | <p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p> |

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

We have also identified the following significant risk of material misstatement from our understanding of the entities. We set out below the work we have completed to address this risk.

| | Risks identified in our audit plan | Relevant to PCC / Chief Constable / Both? | Work completed | Assurance gained and issues arising |
|---|--|---|--|---|
| 3 | <p>Valuation of pension fund net liability</p> <p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Police Officer Pension Schemes pension fund liability as reflected in its balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p> | Both | <ul style="list-style-type: none"> documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements. review of the competence, expertise and objectivity of the actuaries who carried out the pension fund valuations. This was Mercer for the LGPS and the Government Actuary Department (GAD) for the Police Officer Pension Scheme gaining an understanding of the basis on which the IAS 19 valuations were carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. review of the consistency of the pension fund asset, (LGPS only) and liability and disclosures in notes (LGPS and Police Officer Pension Scheme) to the financial statements with the actuarial reports from your actuaries (Mercer and GAD). | <p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p> <p>We are satisfied that the entries and disclosures in the PCC, PCC Group and Chief Constable's accounts for pension fund asset (LGPS only), liability and disclosures in notes (LGPS and Police Officer Pension Scheme) are consistent with the actuarial reports from Mercer and GAD.</p> |

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Joint Audit Plan. Recommendations, together with management responses are attached at appendix A.

| Transaction cycle | Description of risk | Relevant to PCC / Chief Constable / Both? | Work completed | Assurance gained & issues arising |
|------------------------------|--|---|--|--|
| Employee remuneration | Employee remuneration accruals understated | Both | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding tested the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces analysed trends and relationships to identify any anomalous areas for further investigation tested the completeness of payroll transactions and appropriate cut-off | Our audit work has not identified any significant issues in relation to the risk identified. |
| Operating expenses | Creditors understated or not recorded in the correct period. | Both | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding tested the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces tested payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the account | Our audit work has not identified any significant issues in relation to the risk identified. |

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

| Transaction cycle | Description of risk | Relevant to PCC / Chief Constable / Both? | Work completed | Assurance gained & issues arising |
|---|--|---|---|---|
| Police Pensions Benefits Payable | Benefits improperly computed / Claims liability understated | Both | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding tested the reconciliation of benefit payments recorded in the general ledger to subsidiary systems and interfaces analytically reviewed pensions paid, with reference to pensioner numbers and pension changes in year to ensure that any unexpected changes are satisfactorily explained substantive testing of lump sum payments and monthly benefit payments made in year | Our audit work has not identified any significant issues in relation to the risk identified. |
| Valuation of Property, plant and equipment | The PCC revalues its assets on a rolling basis over a five year period. The Code requires that the PCC ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements. | PCC | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate reviewed the competence, expertise and objectivity of management's expert (Carigiet Cowen) reviewed the instructions issued to the valuer (Carigiet Cowen) and the scope of their work discussed with the valuer about the basis on which the valuation was carried out and challenge of the key assumptions reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding tested revaluations made during the year to ensure they were input correctly into the PCC's asset register evaluated the assumptions made by management for those assets not revalued during the year, and how management has satisfied themselves that their values are not materially different to current value | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>The PCC revalued 47% of its land and buildings in 2016/17. We are satisfied that the value of those assets not revalued during the year was not materially different to their reported value at 31 March 2017.</p> |

Audit findings against other risks continued

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK&I) 570).

We reviewed management's assessment of the going concern assumption for each of the PCC and the Chief Constable and are satisfied with their assessment that the going concern basis is appropriate for the 2016/17 financial statements.



Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

| Component | Significant? | Level of response required under ISA 600 | Work completed | Assurance gained & issues raised |
|--|--------------|--|---|---|
| Police and Crime Commissioner (parent) | Yes | Comprehensive | Full scope UK statutory audit performed by Grant Thornton | Our audit work has not identified any issues in respect of the risks on pages 10 to 14. |
| Chief Constable (subsidiary) | Yes | Comprehensive | Full scope UK statutory audit performed by Grant Thornton | Our audit work has not identified any issues in respect of the risks on pages 10 to 14. |

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the PCC's and Chief Constable's financial statements.

| Accounting area | Summary of policy | Comments | Assessment |
|---------------------------------|---|--|---|
| Revenue recognition | <p>PCC</p> <ul style="list-style-type: none"> 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. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due when there is reasonable assurance of: <ul style="list-style-type: none"> - compliance with the conditions attached to the payments, and - the grants or contributions will be received. <p>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.</p> <p>Chief Constable</p> <ul style="list-style-type: none"> In accordance with the statutory responsibility of the Commissioner to maintain the Police Fund outlined in the Police and Social Responsibility Act 2011, all grants and contributions are attributable to the Commissioner and recorded in his accounts. | <p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p> <p>Policies are in accordance with the requirements of the CIPFA Code of Practice.</p> |  GREEN |
| Judgements and estimates | <p>PCC</p> <ul style="list-style-type: none"> Key judgements and estimates are set out in notes 1 and 3 respectively and include: <ul style="list-style-type: none"> - uncertainty over future police funding; - treatment of assets and liabilities under PFI contracts; - PPE valuations; and - pensions liability valuations. <p>Chief Constable</p> <ul style="list-style-type: none"> Key judgements and estimates are set out in notes 1 and 3 respectively and include: <ul style="list-style-type: none"> - uncertainty over future police funding; - calculation of provisions; - pensions liability valuations. | <p>We have reviewed the PCC's and Chief Constable's judgements and estimates against the requirements of the CIPFA Code of Practice.</p> <ul style="list-style-type: none"> Where the PCC or Chief Constable has made judgements or estimates in the financial statements these have been supported with robust and clear explanation of the assumptions applied. Provisions estimates added into PCC Group disclosures PPE valuations and pension liability valuations are considered separately on the next page. |  GREEN |


Assessment

● Marginal accounting policy which could potentially attract attention from regulators
© 2017 Grant Thornton UK LLP | Joint Audit Findings Report | 2016/17

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

| Accounting area | Summary of policy | Comments | Assessment |
|---|--|---|---|
| Judgements - changes to the presentation of local authority financial statements | <p>CIPFA has been working on the 'Telling the Story' project to streamline the financial statements and improve accessibility to the user and this resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>PCC & Chief Constable</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures was also required.</p> <p>Previously the PCC and Chief Constable chose to report expenditure and income in the Comprehensive Income and Expenditure Statement on the basis of descriptors provided by the Police Objective Analysis.</p> <p>This reporting is now required to be on the same segmental basis as that used for internal reporting and resource management.</p> <p>Neither the PCC nor the Chief Constable report on a segmental basis internally. Reporting is instead performed on a subjective basis. Both entities therefore consider that they are a single reportable segment for the purposes of the new requirements.</p> <p>Disclosure of this prior period adjustment is made in Note 22 to the Chief Constable's financial statements, and 35 in the PCC's group financial statements.</p> | <p>We have documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements.</p> <p>We have confirmed that a single reporting segment is in line with the PCC's and Chief Constable's internal reporting structure, and we have tested the completeness of income and expenditure transactions by reviewing the reconciliation of the CIES to the general ledger.</p> <p>We have reviewed the restatement of the figures included in the 2015/16 Comprehensive Income and Expenditure Statement, and confirmed that the classification of income and expenditure for 2016/17 is consistent with this.</p> <p>We have tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis note to the financial statements.</p> <p>We have reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement.</p> <p>We are satisfied that the Chief Constable's and PCC's 2016/17 financial statements meet the requirements of the CIPFA Code of Practice, and fairly reflects the reporting and decision-making structure in place at Cumbria Police.</p> |  GREEN |


Assessment

● Marginal accounting policy which could potentially attract attention from regulators
 © 2017 Grant Thornton UK LLP | Joint Audit Findings Report | 2016/17

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

| Accounting area | Summary of policy | Comments | Assessment |
|--|--|---|---|
| Judgements - pension fund liability | <p>PCC & Chief Constable</p> <p>Local Government Pension Scheme (LGPS)</p> <p>The LGPS is the pension scheme for police staff. This is a funded defined benefit scheme.</p> <p>The scheme is administered by Cumbria County Council.</p> <p>The liability showing the underlying long term commitment to fund future retirement benefits is shown on the relevant PCC and CC balance sheet with a corresponding pension reserve.</p> <p>Police Officers Pension Schemes</p> <p>The Chief Constable operates three pension schemes for police officers. These are the Police Pension Scheme, the 2008 Police Pension Scheme, and the 2015 Police Pension Scheme. All of these are unfunded defined benefit schemes.</p> <p>The financial liability for these schemes appears on the Chief Constable's balance sheet with a corresponding pension reserve.</p> <p>The liabilities relating to these schemes increased by £230.7 million in 2016/17. The liability stood at £1,243.1 million at 31 March 2017.</p> | <p>For both LGPS and the three police officer pension schemes we have undertaken a review of the relevant actuary's (Mercer for LGPS and GAD for police schemes) work to satisfy ourselves that the pension liabilities are fairly stated in the financial statements. In doing so we engaged our own independent actuary to assess the methodology and assumptions used by the schemes' actuaries.</p> <p>For LGPS we have confirmed with the external auditor of the pension fund that the controls over membership data were operating as intended. For the three police pension schemes we have performed audit procedures on membership data to ensure it is consistent with our expectations.</p> <p>For both LGPS and the police pension schemes we have reviewed the information submitted to the actuaries to confirm that it is consistent with underlying records.</p> <p>The pension fund liabilities are most sensitive to changes in the following key assumptions:</p> <ul style="list-style-type: none"> • Discount rate; • Mortality; • Inflation; and • Future salary increases. <p>For both LGPS and the police pension schemes we have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by both Mercer and GAD are reasonable for the purpose of valuing the liabilities at 31 March 2017.</p> |  GREEN |




Assessment

● Marginal accounting policy which could potentially attract attention from regulators
 © 2017 Grant Thornton UK LLP | Joint Audit Findings Report | 2016/17

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

| Accounting area | Summary of policy | Comments | Assessment |
|--|--|--|---|
| Judgements - property, plant and equipment | <p>PCC</p> <p>The CIPFA Code requires that authorities revalue their land and building assets on a regular basis. The PCC engaged Carigiet Cowen, a firm of chartered surveyors, to provide land and building valuations for financial reporting purposes.</p> <p>The PCC revalues its PPE assets on a rolling programme. For the land and building assets not revalued in 2016/17, the external valuer undertook a review to determine whether it was necessary to increase or decrease the value of all the properties in aggregate. The valuer concluded that properties were not materially misstated at 31 March 2017.</p> | <p>We have undertaken a detailed review of the work performed by Carigiet Cowen to provide land and building valuations for financial reporting purposes.</p> <p>We are satisfied from our review that the methodology and assumptions used by Carigiet Cowen were reasonable.</p> <p>We are satisfied that the PCC's non-current assets are not materially misstated as at 31 March 2017.</p> |  GREEN |
| Intra-Group funding arrangements and cost recognition | <p>PCC & Chief Constable</p> <p>The costs of overheads and support services are incorporated within the cost of Policing and Crime Services line of the comprehensive income and expenditure statement in accordance with the principles of the CIPFA Code of practice on Local Authority Accounting which requires costs to shown on the same basis as used for resource management.</p> <p>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 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</p> | <p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p> <p>Policies are in accordance with the requirements of the CIPFA Code of Practice.</p> |  GREEN |
| Other accounting policies | <p>PCC & Chief Constable</p> <p>We have reviewed the PCC's and Chief Constable's policies against the requirements of the CIPFA Code of Practice. The accounting policies are appropriate and consistent with previous years.</p> | <p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p> |  GREEN |

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
 © 2017 Grant Thornton UK LLP | Joint Audit Findings Report | 2016/17

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| | Issue | Commentary |
|----|--|--|
| 1. | Matters in relation to fraud | We have previously discussed the risk of fraud with the Joint Audit and Standards Committee, the PCC and the Chief Constable. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures. |
| 2. | Matters in relation to related parties | From the work we carried out, we have not identified any related party transactions which have not been disclosed. |
| 3. | Matters in relation to laws and regulations | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| 4. | Written representations | A standard letter of representation has been requested from each of the PCC and Chief Constable, with the PCC's including specific representations in respect of the Group. |
| 5. | Confirmation requests from third parties | We requested from management permission to send confirmation requests to the PCC's bank and investment counter-parties. This permission was granted and the requests were sent. The majority of these requests were returned with positive confirmation, however 2 requests were not received so we undertook alternative procedures, including review of initial investment agreements and correspondence, and review of online banking facilities. |
| 6. | Disclosures | Our review found no material omissions in the financial statements. |
| 7. | Matters on which we report by exception | <p>We are required to report on a number of matters by exception in a number of areas. We have not identified any issues we would be required to report by exception in the following areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statements do not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audits • The information in the Narrative Reports is materially inconsistent with the information in the audited financial statements or our knowledge of the PCC and Chief Constable acquired in the course of performing our audit, or otherwise misleading. |
| 8. | Specified procedures for Whole of Government Accounts | We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that detailed work is not required as the PCC Group does not exceed the threshold. |

Internal controls

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

The controls were found to be operating effectively and we have no matters to report to the Joint Audit and Standards Committee.

We are currently finalising our work on the Oracle E-business suite system. No issues have been identified which would be likely to have a material impact on the accounts but we are likely to make some suggested improvements to user access controls and passwords.

"The purpose of an audit is for the auditor to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Adjusted misstatements – Chief Constable, Police and Crime Commissioner and Group

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

We have not identified any adjustments to the Chief Constable's or the PCC's draft accounts during the audit process. No such adjustments have been made by management.

Unadjusted misstatements – Chief Constable, Police and Crime Commissioner and Group

Those charged with governance are required to approve management's proposed treatment of any adjustments that are not adjusted.

There are no such unadjusted items as a result of our audit.

Impact of uncorrected misstatements in the prior year – Chief Constable, PCC and Group

| Detail | Action taken in 2016/17 Accounts |
|---|---|
| <p>1 In 2015/16 the Chief Constable became liable for commutation redress payments totalling £2,541,000 as a result of the pensions Ombudsman's findings in Milne vs. the Government Actuary's Department (GAD).</p> <p>These payments were correctly treated in the Police Pension Fund Account, but the increase in the liability and the subsequent benefit payments had been omitted from the actuarial adjustments in the Chief Constable's main financial statements and the PCC Group accounts.</p> <p>The adjustments would only have impacted on the Comprehensive Income and Expenditure Statement, by changing which line in the statement contained the cost of the payments. They would have had no impact on the Chief Constable's Total Comprehensive Income for 2015/16, the Chief Constable's year end pension liability, or the Chief Constable's reserve balances.</p> <p>These adjustments would have had no impact on the single entity accounts of the PCC, however they would have flowed through to the consolidated group accounts.</p> | <p>This related to a single issue that was specific to 2015/16. It has no impact on the 2016/17 accounts.</p> |

Misclassifications and disclosure changes – Chief Constable, PCC and Group

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| | Relevant to PCC / Chief Constable / Both? | Adjustment type | Value £'000 | Account balance | Impact on the financial statements | | | | |
|---------------------------------|--|--------------------|----------------|---|--|---------------------------------|------------|-------------------------|------------|
| 1 | Both | Disclosure | n/a | Expenditure and Funding Analysis (EFA) | The Expenditure and Funding Analysis (EFA) has been included within the primary statements in the draft accounts for both the Chief Constable and the PCC. The Code does not classify the EFA as a statement, however Management consider that its placement, within the primary statements, best meet the Code requirement to give the EFA due prominence. After discussion it was agreed that the Expenditure and Funding Analysis should be moved from the primary statements section to the section for notes to the accounts for both the PCC and Chief Constable. | | | | |
| 2 | PCC (Group) | Disclosure | n/a | Note 4 – Assumptions made about the future and other sources of estimation uncertainty | The disclosures made within the Chief Constable’s accounts about estimation uncertainty on provisions have now been included within the disclosures for the PCC Group. | | | | |
| 3 | Both | Disclosure | 4,360 | Annex B - Financial Instruments | <p>Intra-group balances have been omitted from the single-entity financial instruments disclosures. In accordance with the funding arrangement in place between the PCC and the Chief Constable, the PCC owes the Chief Constable funding at 31 March 2017 to cover the Chief Constable’s share of financial liabilities.</p> <p>Balances have been added as follows:</p> <table><tr><td>Chief Constable Financial Asset</td><td>£4,360,000</td></tr><tr><td>PCC Financial Liability</td><td>£4,360,000</td></tr></table> <p>In addition, reference has been added within the narrative in Annex B to the fair value hierarchy, so that the disclosures are compliant with the Code.</p> | Chief Constable Financial Asset | £4,360,000 | PCC Financial Liability | £4,360,000 |
| Chief Constable Financial Asset | £4,360,000 | | | | | | | | |
| PCC Financial Liability | £4,360,000 | | | | | | | | |

Misclassifications and disclosure changes continued – Chief Constable, PCC and Group

| | Relevant to PCC / Chief Constable / Both? | Adjustment type | Value £'000 | Account balance | Impact on the financial statements |
|---|---|-----------------|-------------|--|--|
| 4 | Both | Disclosure | n/a | Annex D – Annual Governance Statements (AGS) | To ensure full compliance with the requirements one minor change was made to the PCC AGS. Several changes made to the Chief Constable's AGS to provide commentary on how compliance with relevant laws and procedures is ensured, that they promptly consider external audits findings and recommendations and arrangements in place for good governance for partnerships and joint working. |
| 5 | Both | Disclosure | n/a | Various | A small number of minor changes have been made to the wording and presentation of disclosure notes throughout the Financial Statements to improve their clarity. |

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the PCC and Chief Constable have each put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at both the Office of the PCC and the Force. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the PCC and Chief Constable have put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2017 and identified the following significant risks, which we communicated to you in our Joint Audit Plan dated 2 March 2017.

- Financial sustainability
- Response to PEEL review

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the PCC's and Chief Constable's arrangements for delivering economy, efficiency and effectiveness. We have focused our work on the significant risks that we identified in the PCC's and Chief Constable's arrangements. In arriving at our conclusion, our main considerations were:

- the reasonableness of the assumptions in the 2018-19 to 2020-21 financial forecasts,
- how the Constabulary has considered various scenarios about the potential impact resulting from Police Funding Formula (PFF) changes and how it might address any impact,
- how the Constabulary develops its improvement plans for each of Her Majesty's Inspectorate of Constabulary (HMIC) reports and how it monitors their implementation.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

Overall conclusion – Police and Crime Commissioner

Based on the work we performed to address the significant risks, we concluded that the PCC had proper arrangements in all significant respects to ensure they delivered value for money in their use of resources. The text of our report which confirm this, can be found at Appendix A.

Overall conclusion – Chief Constable

Based on the work we performed to address the significant risks, we concluded that the Chief Constable had proper arrangements in all significant respects to ensure they delivered value for money in their use of resources. The text of our report which confirm this, can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

| Significant risk | Work to address | Findings and conclusions |
|---|--|--|
| <p>Financial sustainability</p> <p>The PCC has set a balanced budget for 2017/18 but even so there is still a need to find around £2 million of savings between 2018/19 and 2020/21. At the end of December 2016 the Constabulary was projecting an overspend for 2016/17 of £1.079 million. Even though Cumbria Police has a good record of delivering savings through its 'Change Strategy' delivering further savings of £2 million and ensuring that the Constabulary can continue to delivery policing services but within budget represents a significant challenge.</p> | <p>We will review the PCC's and Chief Constable's arrangements for updating, agreeing and monitoring its financial plans including the assumptions within them. We will also consider the arrangements in place to monitor the delivery of the Change Strategy and how the Constabulary has planned to ensure it can stay within budget in future years.</p> | <p>The PCC and the Constabulary continue to face financial challenges but the Medium Term Financial Strategy (MTFS) 2016 – 2020 and updated forecasts 2018/19 to 2020/21 demonstrates their long-term financial viability. Key planning assumptions cover both internal and external factors such as Government funding, pay inflation, non-pay inflation and council tax increases. These assumptions appear reasonable. There is a sound process in place to produce the MTFS and update projections.</p> <p>The PCC set the 2017/18 budget and Council tax requirement on 22 February 2017. This resulted in a balanced revenue budget for 2017/18 of £131.4 million and a Council Tax increase of 1.91%. As part of the annual budget setting process, the PCC's CFO provides an assessment of the adequacy of balances and reasonableness of assumptions and estimates used to produce the budget. There is also a formal process of challenge by the Police and Crime Panel.</p> <p>As part of the budget setting for 2017/18, the projections for 2018/19 to 2010/21 were updated and considered. This showed that savings of £2.09 million were required between 2018/19 and 2020/21. However, it was clear in the report that this excludes the potential impact of any changes to the Police Funding Formula (PFF). The position on the timing, amount and transitional arrangements of any Police funding formula changes is still to be confirmed but both the PCC and Chief Constable are well aware of the potential impact. The Constabulary has continued to work on various scenarios and how it might address any impact. This approach is reasonable and provides further evidence of on-going updating of financial plans.</p> <p>Historically, the MTFS is updated as part of a mid-year review but due to the uncertainty around the impact of the Police Funding Formula (PFF), this has not been updated during the year but only for the budget setting process in February 2017. We are satisfied this is a reasonable approach and we were present when the PCC Chief Finance Officer briefed Joint Audit and Standards Committee (JASC) members on progress on the funding formula and potential impact.</p> <p>Previously the Constabulary specifically monitored progress on delivery of the 'Change Strategy 2010' to ensure it remained on track. However, for 2016/17 approximately £2.5 million was removed from the base budget for Change Programme savings from major reviews of the Communications Centre, Criminal Justice and Neighbourhood Policing Teams. In addition, another £1.5 million of savings removed from non-pay budgets identified through the star chambers and zero based budget exercises. This meant that no specific monitoring of the delivery of savings was required as reviewed as part of the Constabulary's regular arrangements for budget monitoring, which was also reported to the PCC.</p> <p>The Constabulary overspent its 2016/17 budget by £1.129 million of which £0.354 million related to core budgets and a further provision of £0.775 million for historic employee claims. The Constabulary has looked in detail at its budgets and the 2017/18 budget includes provision to resource the 2016/17 overspend and, where required, the 2017/18 budget has increased for areas such as Criminal Justice where a combination of new systems and legislation has required an additional staffing.</p> <p>Both the PCC and Chief Constable have in place robust arrangements to monitor and update their financial plans including the delivery of the required savings. They still face significant financial changes from any formula funding decisions. On this basis for we are able to conclude that the PCC and Chief Constable have proper arrangements in place for ensuring they plan finances effectively to support its strategic functions and their arrangements for ensuring informed decision making.</p> |

| Significant risk | Work to address | Findings and conclusions |
|---|--|--|
| <p>Police effectiveness, efficiency and legitimacy (PEEL) review</p> <p>The PEEL review 2016 has assessed Cumbria Constabulary overall as 'Good' with individual assessments for effectiveness, efficiency and legitimacy all rated as 'Good'. This represents an overall improvement in respect of effectiveness which was assessed in 2015 as 'Requires improvement'. However, the key area within Her Majesty's Inspectorate of Constabulary's (HMIC's) effectiveness inspection still requiring improvement relates to protecting vulnerable people. The Constabulary has arrangements to monitor the delivery of the required improvements. The risk is that these arrangements are not sufficiently robust to deliver the required improvements.</p> | <p>We will review how the Constabulary has monitored delivery of plans to address the findings of Her Majesty's Inspectorate of Constabulary (HMIC) reviews.</p> | <p>Cumbria Constabulary has a clear process in place to respond to the outcome of HMIC inspections. HMIC reports are considered in detail in terms of recommendations, Areas for Improvement (AFIs) and the observations in the reports. The detailed improvement plan for a report tends to have more actions in it than the number of recommendations and AFIs in the HMIC report but, by being more comprehensive, it facilitates better management and accurate progression of actions.</p> <p>The Constabulary has a strategic HMIC improvement plan. Progress against the overall HMIC improvement plan is reported on a monthly basis to the Operations Programme Board and every two to three months to Force Strategic Delivery Board, chaired by the Deputy Chief Constable (DCC). This process was introduced in 2015/16 and recommendations were reviewed going back to 2013. For high-risk areas the Business Improvement Unit reality checks actions identified as complete to confirm that actions have been implemented. In March 2017 the Joint Audit and Standards Committee (JASC) were provided with a useful summary of progress on implementing HMIC recommendations. This outlined the governance arrangements for HMIC reports, who had responsibility for implementing improvements and how progress was being monitored.</p> <p>The processes put in place by Cumbria Constabulary to implement HMIC recommendation, as part of its overall improvement agenda, has been key in delivering the improved PEEL assessment. The areas in the 2015 PEEL review in respect of vulnerable people were still being shown as 'being progressed' in the Constabulary's March 2017 improvement plan so not unexpected that these were raised in the 2016 PEEL review as still requiring improvement.</p> <p>There are arrangements in place to respond to HMIC reports and to develop and monitor action plans from the reviews. On this basis for we are able to conclude that the PCC and Chief Constable have proper arrangements in place for acting in the public interest through demonstrating and applying the principles of good governance.</p> |

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

| | Issue | Commentary |
|----|---|---|
| 1. | Public interest report | <ul style="list-style-type: none">We have not identified any matters that would require a public interest report to be issued. |
| 2. | Written recommendations | <ul style="list-style-type: none">We have not made any written recommendations that the Group, PCC or Chief Constable is required to respond to publicly. |
| 3. | Application to the court for a declaration that an item of account is contrary to law | <ul style="list-style-type: none">We have not used this duty. |
| 4. | Issue of an advisory notice | <ul style="list-style-type: none">We have not used this duty. |
| 5. | Application for judicial review | <ul style="list-style-type: none">We have not used this duty. |

Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

| | Proposed fee £ | Final fee £ |
|---|-------------------|----------------|
| Police and Crime Commissioner audit | 30,338 | 30,338 |
| Chief Constable audit | 15,000 | 15,000 |
| Total audit fees (excluding VAT) | 45,338 | 45,338 |

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Fees for other services

| Service | Fees £ |
|--|--------|
| Non-audit services | |
| Provision of tax helpline | 2,500 |
| VAT healthcheck / review of VAT Manual | 8,700 |

Independence and ethics

Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence. We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the PCC, PCC Group and Chief Constable. The table above summarises all non-audit services which were identified.

Independence and non-audit services

We have considered whether non-audit services might be perceived as a threat to our independence as the PCC's and Chief Constable's auditor and have ensured that appropriate safeguards are put in place

| | Service provided to | Fees | Threat? | Safeguard |
|--|---|----------|---|----------------|
| Provision of tax helpline | The Police and Crime Commissioner for Cumbria | 2,500 | We have considered the possible threats to our independence in respect of self-interest, self review, management, advocacy, familiarity and intimidation. We concluded that no threats exist. | None required. |
| VAT healthcheck / review of VAT Manual | The Police and Crime Commissioner for Cumbria | 8,700 | We have considered the possible threats to our independence in respect of self-interest, self review, management, advocacy, familiarity and intimidation. We concluded that no threats exist. | None required. |
| | TOTAL | £,11,200 | | |

The above non-audit services are consistent with the PCC's and Chief Constable's policy on the allotment of non-audit work to your auditor.

Ethical Standard – June 2016

We must abide by ethical standards to ensure that appropriate safeguards are in place to preserve auditor independence. The tax services we provided to you in 2016/2017 are subject to the ethical standards that applied pre 17 June 2016. From 17 June 2016, the new ethical standards apply although in the case of the services we provided to you, this took effect from 1 April 2017. The new ethical standards introduced a list of non-audit services which cannot be provided to a public body while the firm is, or is proposed to be, the auditor. These prohibited services are set out in the Annex to the Auditor Guidance Note 1 (AGN 01) and include tax advice. Therefore, we are unable to provide you with tax helpline after 31 March 2017.

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the PCC's and Chief Constable's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the PCC's and Chief Constable's key risks when reaching our conclusions under the Code.

It is the responsibility of the PCC and Chief Constable to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and Chief Constable are fulfilling these responsibilities.

| Our communication plan | Audit Plan | Audit Findings |
|--|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | ✓ | |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications | ✓ | |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought | | ✓ |
| Confirmation of independence and objectivity | ✓ | ✓ |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence | ✓ | ✓ |
| Material weaknesses in internal control identified during the audit | | ✓ |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements | | ✓ |
| Non compliance with laws and regulations | | ✓ |
| Expected modifications to auditor's report or emphasis of matter | | ✓ |
| Unadjusted misstatements and material disclosure omissions | | ✓ |
| Significant matters arising in connection with related parties | | ✓ |
| Significant matters in relation to going concern | | ✓ |
| Significant matters in relation to the Group audit including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud. | ✓ | ✓ |

Appendices

- A. Audit opinion – Police and Crime Commissioner
- B. Audit opinion – Chief Constable

Appendix A: Audit opinion – Police and Crime Commissioner

We anticipate we will provide the PCC and the group with an unmodified audit report

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 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement – Group, the Comprehensive Income and Expenditure Statement – PCC, the Movement in Reserves Statement - Group, the Movement in Reserves Statement – PCC, the Balance Sheet – PCC & Group, the Cash Flow Statement – PCC & Group and the related notes and Annexes A, B and C and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, the Pension Fund Net Assets and Liabilities 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 2016/17.

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 Joint Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Joint Chief Financial 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the 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 Joint Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Joint Chief Finance Officer Narrative Report and Annex D - 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 2017 and of the Police and Crime Commissioner's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Police and Crime Commissioner under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Police and Crime Commissioner and auditor

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing 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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. 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 put in place proper arrangements for securing economy, efficiency and effectiveness in its use of 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 2016, we are satisfied that in all significant respects the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

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

Royal Liver Building
Liverpool
L3 1PS

Date

Appendix B: Audit opinion – Chief Constable

We anticipate we will provide the Chief Constable with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR CUMBRIA CONSTABULARY

We have audited the financial statements of the Chief Constable for Cumbria Constabulary (the "Chief Constable") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the related notes and Annexes A, B and C and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, the Pension Fund Net Assets and Liabilities 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 2016/17.

This report is made solely to the Chief Constable, 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 Chief Constable those matters we are required to state to the Chief Constable 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 Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Joint Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Joint Chief Financial 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice" and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the 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 Chief Constable's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Joint Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Joint Chief Officer Narrative Report and Annex D - 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 Chief Constable as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Joint Chief Officer Narrative Report and Annex D - Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the 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: Framework (2016)’ published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Chief Constable under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Chief Constable’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Chief Constable and auditor

The Chief Constable is responsible for putting in place proper arrangements for securing 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 Chief Constable 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 Chief Constable’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Chief Constable’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Chief Constable 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of 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 2016, we are satisfied that in all significant respects the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable in accordance with the requirements of the Act and the Code of Audit Practice.

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

Royal Liver Building
Liverpool
L3 1PS

[Date]



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The Police and Crime Commissioner for Cumbria & the Chief Constable for Cumbria Constabulary

Annual Statement of Accounts 2016/17: Assurance Framework

Report to the Police and Crime Commissioner, Chief Constable and Joint Audit and Standards Committee 21 July 2017

Report of the Joint Chief Finance Officer

1. Introduction and Background

- 1.1. This report combines two separate reports previously provided in respect of the PCC for Cumbria and the Chief Constable. This report sets out for the Commissioner, Chief Constable and members of the Joint Audit and Standards Committee, those areas of governance and audit pertaining to scrutiny and formal approval of the 2016/17 Statement of Accounts. This report covers the single entity financial statements of the Police and Crime Commissioner, the single entity financial statements of the Chief Constable, and the Group financial statements. The report sets out the opinion of the Commissioner's appointed auditor and amendments made to the Accounts, and accompanying governance statement, as a consequence of the findings of the audit. It also sets out information provided to Mr Robin Baker, of Grant Thornton UK LLP, the Commissioner's appointed auditor, as part of the regulatory requirement for a letter of representation.
- 1.2. The report includes an appendix that provides a narrative on the financial statements (**Appendix A**). The appendix aims to support members of the Joint Audit and Standards Committee in undertaking their assurance role by providing a narrative in respect of the sources of assurance available to them and on the substantive issues that have been considered in respect of the production of the financial statements.

2. Formal Approval of the Audited Statements

- 2.1. The Statement of Accounts were authorised by the Joint Chief Finance Officer on 31 May 2017 in accordance with the 2015 Accounts and Audit Regulations. The audit having now been completed, the Joint Chief Finance Officer is required to again certify the statements and present them to the Commissioner and Chief Constable for formal approval. Prior to certification the Commissioner and Chief Constable will take into consideration the Audit Findings Report from Mr Robin Baker. The Commissioner and Chief Constable will also take into consideration the views of members of the Joint Audit and Standards Committee. The Committee will receive the Statement of Accounts and the Audit Findings Report. They will consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Commissioner.

3. Appointed Auditor's Audit Findings Report

- 3.1. Preceding this item on your agenda is the Audit Findings Report from Mr Robin Baker, of Grant Thornton UK LLP, the Commissioner's appointed auditor. Mr Baker reports on his completion of the annual audit of the Statements of Account for 2016/17. The Commissioner, Chief Constable and members of the Joint Audit and Standards Committee will be pleased to see his intention, based on his findings to date, to issue an unqualified audit opinion in respect of the Statement of Accounts for the year to 31 March 2017 and in respect of the Commissioner's and Chief Constable's arrangements to secure Value for Money.
- 3.2. In carrying out their audit, the auditors have considered internal controls that are relevant to the preparation of the financial statements. Where they identify any control weaknesses, these are reported to the Commissioner and Chief Constable. The auditors have noted within their report that the controls were found to be operating effectively and that there were no matters to report to those charged with governance.
- 3.3. As noted in the audit findings report there were no adjusted or unadjusted misstatements identified during the audit.
- 3.4. There were five disclosure changes identified during the audit which are set out in the auditor's report and which were adjusted in the financial statements. Member's copy of the financial statements highlights those changes. Changes highlighted in red reflect the changes of wording now required for the audited statements. They include the updating of relevant dates for signing off the statements, the inclusion of the auditor's opinion and update to the annual governance statement to reflect the period from its initial publication and the date of this report. Changes highlighted in green

are those agreed with the external auditors Changes within the AGS highlighted in purple were made as a result of the internal audit review of the AGS.

- 3.5. The auditors have noted that the financial statements were of a very high standard and that they were supported by excellent quality working papers.

4. Post Balance Sheet Event

- 4.1. 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 of Practice on Local Authority Accounting (the Code) require adjustment or disclosure. There have been no post balance sheet events following authorisation of the financial statement by the Chief Finance Officer on 31 May and to the issuing of this report.

5. 2016/17 Governance Statements

- 5.1. The Police and Crime Commissioner and Chief Constable approved their 2016/17 Annual Governance Statements (AGS) on 31 May 2017. A small number of wording changes have been made to the AGS as a result of the external and internal audit assessments of the statements to improve the clarity of the documents. Minor updates have been made to reflect the position as at July 2017.

6. Letters of Management Representation

- 6.1. At the conclusion of the audit of the Statement of Accounts, but before an opinion can be given, a 'Letter of Management Representation' is provided to the appointed auditors by the Joint Chief Finance Officer on behalf of the Commissioner and Chief Constable. The underlying purpose of the letter is to confirm that the financial statements reflect a true and fair view in accordance with international financial reporting. The letters set out that relevant codes, standards and statutory directions have been complied with and that we have made reasonable estimates and judgements in undertaking accounting entries and disclosures. The letters also confirm that there has been full disclosure of all matters requiring disclosure to our auditors. The Letters of Management Representation are attached at **Appendix B**.

7. Acknowledgements

- 7.1. The work undertaken in preparing the Statement of Accounts and supporting the audit for the year places very significant demands on staff within the finance services team. Key amongst those has been Michelle Bellis, Deputy Chief Finance Officer, Lorraine Holme, Principal Financial Services Officer and Simon Nicholson, Assistant Chief Finance Officer, who have once again secured for the Commissioner and Chief Constable another clean audit. This report also acknowledges the work

undertaken by our colleagues in external audit headed by Robin Baker and Richard McGahon. This is the second year that both the publication of the unaudited accounts and the audited accounts has been brought forward in line with the requirements of the Accounts and Audit Regulations 2015. The work to bring forward the closure of accounts has impacted both on our own team and those at Grant Thornton.

8. Recommendations

8.1. Following consideration of the findings and conclusions of the Appointed Auditor it is recommended that:

- ◆ Members of the Joint Audit and Standards Committee determine whether there are any issues in respect of governance or the statement of accounts that they wish to report to the Commissioner and/or Chief Constable.
- ◆ The Commissioner and Chief Constable sign the audited Statement of Accounts and authorises for publication the Accounts and accompanying Governance Statement.

Statement of Accounts Narrative 2016/17

1. Introduction and Background

- 1.1. The Police and Crime Commissioner and Chief Constable are asked to sign their respective annual statement of accounts following audit and the review process by the Joint Audit and Standards Committee. Members of the Joint Audit and Standards Committee will receive a copy of the audited accounts and accompanying governance statement for which they have a review and assurance role. The Statement of Accounts are highly complex technical documents. They take a number of weeks to produce and a similar period of time to audit by a team of technical and experienced staff. The audit process will typically involve support from national technical teams who assess and advise on accounting treatment for complex transactions against the requirements of international financial reporting standards and codes of practice. Within the finance profession, the Statement of Accounts is a very specialist field.
- 1.2. In this context, this narrative aims to provide a guide to the considerations that the Commissioner, Chief Constable and Members of the Joint Audit and Standard Committee can reasonably be expected to take account of, in carrying out a review process and undertaking to approve the Statement of Accounts. It covers two main areas, sources of assurance for the financial statements and key challenges. These are the areas that influence the dialogue and engagement between the finance staff preparing the accounts and those undertaking the audit. In doing this, the narrative aims to ensure that members have sufficient information to fulfil their assurance role and that the Commissioner can place reliance on this assurance in approving the Statement of Accounts.

2. Sources of Assurance

- 2.1. The Statement of Accounts consolidates financial transactions for a financial year and records the position as at 31 March in respect of assets and liabilities including reserves and cash flow. They include a number of year end accounting entries that ensure income and expenditure is presented on an accruals basis, that assets and liabilities are recorded in accordance with accounting standards and codes and that the financial implications of those assets and liabilities are adjusted such that net expenditure reflects the actual cost funded by external financing (government grants and the council tax payer). They are accompanied by accounting policies that explain how those transactions and balances have been accounted for and a set of notes that provide further detail on amounts included within the main financial statements.

2.2. Those undertaking a review of the accounts will not usually be in a position to determine whether the presented figures are correct based on a reading of the financial statements and notes. The review processes must therefore place reliance on wider sources of assurance from which it is reasonable to make a judgement that the accounts present a true and fair view. The main sources of assurance that support this process are the opinion of the Joint Chief Finance Officer (CFO), the opinion of the Head of Internal Audit (HIA) and the opinion of the Appointed Auditor. These opinions are supported by the statements made by the Joint Chief Finance Officer, on behalf of the Commissioner and Chief Constable, within the letter of representation, by the Commissioner's Annual Governance Statements (signed by the Commissioner, the Commissioner's Monitoring Officer and the CFO) and by the Chief Constable's Annual Governance Statement (signed by the Chief Constable and the CFO).

2.3. **The Joint Chief Finance Officer's (CFO) Opinion:** The CFO provides to members an annual opinion on the effectiveness of the arrangements for audit. That review, presented to members at their Meeting on 24 May 2017, concluded that "there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2017." In presenting this opinion, the CFO takes into account the opinion of the external auditors. The external auditor's Progress Report and Update, also presented on the May agenda, advised that 'the internal audit service continues to provide an independent and satisfactory service to the PCC and the Chief Constable and that internal audit work contributes to an effective control environment at both entities'. This assurance enables the Commissioner and members of the Joint Audit and Standards Committee to place reliance on the opinion of the Chief Internal Auditor and the findings of internal audit.

Sources of Assurance

"Internal audit work contributes to an effective control environment at both entities" **Grant Thornton, the Commissioner and Chief Constable's appointed auditor.**

"There are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2017." **Joint Chief Finance Officer**

2.4. **The opinion of the Head of Internal Audit (HIA):** The HIA provides an annual opinion on the internal control environment. The opinion is based on the audit reviews undertaken over the course of the financial year. Audits are risk based and include cyclical reviews of the material financial systems. The findings of the CIA are set out in an annual report which was presented to members at the May meeting. The HIA's opinion for 2016/17 is that "the PCC and Chief Constable's frameworks of governance, risk management and internal control are reasonable and audit testing has confirmed that controls are generally working effectively in practice".

2.5. Of the 20 audits finalised during 2016/17, 18 contributed to the Commissioner and Chief Constable's overall assurance with 13 of the 18 assurance audits achieving reasonable or higher assurance. The findings of financial audits reported to the Joint Audit and Standards Committee and the overall opinion of the Chief Internal Auditor is further supported by annual management assurances across all financial systems that are provided to the Joint Chief Finance Officer for review. Collectively these internal controls provide assurance to members, the Chief Constable and the Commissioner on the integrity of the underlying financial transactions and their representation within the financial ledger that is used to produce the financial statements.

Sources of Assurance

"In my opinion, the PCC and Chief Constable's frameworks of governance, risk management and internal control are reasonable and audit testing has confirmed that controls are generally working effectively in practice" **Head of Internal Audit.**

2.6. **The opinion of the Appointed Auditor:** The Appointed Auditor will provide an independent external opinion on the financial statements following the audit process. In forming this audit opinion they will undertake a range of audit work. This will include reconciling the figures within the accounts to the financial ledger, undertaking a computer based analytical review to validate the accuracy of material transactions and undertaking further systems based sample testing of ledger amounts back to the primary financial transactions. The external auditors will also review accounting policies and ensure accounting estimates, manual entries and the presentation of financial information is consistent with policy, financial reporting standards and codes of practice. The external audit is typically undertaken by a team of professionally qualified staff who will audit a number of public and/or private sector clients. They will have access to national technical support and quality controls at a regional and national level to support the integrity of the audit and ensure specialist advice and input is given to the treatment of complex transactions of a technical nature.

Sources of Assurance

"The financial statements were of a very high standard and were supported by excellent quality working papers."

There are no material errors or uncertainties...

We anticipate providing an unqualified opinion in respect of the Chief Constable's and the PCC's financial statements, including the group financial statements."

The opinion of the Commissioner's appointed auditors, Grant Thornton.

2.7. In forming their opinion, the external auditors give consideration to internal controls relevant to the preparation of the financial statements. The external auditors complete walkthrough tests of controls operating in areas where they consider that there is a risk of material misstatement to the financial statements. For the 2016/17 financial statements this has included walkthrough tests of payroll and pensions processes, PPE and the Police Officer Pensions

Fund. The auditors also reviewed and reported on journal entry controls and early substantive testing in their report to the Committee on 24 May 2017. Their report confirmed that they did not identify any issues to report or any weaknesses which impact on the audit approach. The annual audit findings report of the Appointed Auditor is made to the Commissioner, Chief Constable and Members preceding this item on the agenda and presents the Appointed Auditors intention to issue an “unqualified audit opinion” on the financial statements.

- 2.8. **The Letters of Representation:** The letters of representation are provided at **Appendix B** and referenced in the main body of this report. The letters provide assurances from the Commissioner and Chief Constable to the Appointed Auditor. The letters are written on behalf of the Commissioner and Chief Constable respectively by the Joint Chief Finance Officer. That officer, as required under legislation, must be financially qualified. The Joint Chief Finance Officer, Roger Marshall is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) with a requirement to abide by codes of practice, standards and ethics. These arrangements provide assurance that members can place reliance on the representations made by the Joint Chief Finance Officer in the letters of representation on behalf of the Commissioner and Chief Constable. There have been no specific matters raised by the Commissioner or Chief Constable in the letter of representation for 2016/17 and all appropriate assurances have been provided to the external auditors.
- 2.9. **The Annual Governance Statement:** An Annual Governance Statement (AGS) for the separate entities of the Police and crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary were presented to members on 24 May 2017 with a number of supporting governance papers. The AGS detail how the Commissioner and Chief Constable have complied with the governance framework set out within the Code. The Statements have been updated to take account of the period from its un-audited issue to the date of the audited financial statements and the PCCs AGS will be signed by the Commissioner, the Commissioner’s statutory Monitoring Officer and Joint Chief Finance Officer and the Chief Constable’s AGS will be signed by the Chief Constable and the Joint Chief Finance Officer. The Annual Governance Statement for the PCC is submitted for examination by the Internal Auditors and provides members with assurance that the Commissioner has in place appropriate arrangements for financial and wider governance matters including arrangements for managing risks and internal controls.
- 2.10. Collectively, these sources of assurance, where they are operating to the satisfaction of members, can support conclusions in respect of the extent to which the committee is reasonably able to provide the related assurance to the Police and Crime Commissioner and Chief Constable in reviewing the financial statements.

3. Key Challenges

3.1. 2016/17 Financial Year Accounts and Audit Timetable

The most significant factor influencing the production of the statement of accounts for 2016/17 has been the collective target set by the finance team and the external auditors to bring forward closure to the end of May alongside completion of the audit by end of July. These decisions aim to cement the achievement made in relation to the 2015/16 accounts in preparation for the statutory changes to audit and publication requirements arising from the Accounts and Audit Regulations 2015, and which come into effect for the 2017/18 financial statements. This has necessitated continuing the early dialogue with the external auditors to agree some changes to the closedown process and delivery of the audit. The significant changes have been:

- ◆ Agreement on a number of areas of audit work that could be delivered as part of the interim audit in March/April. This has involved the provision of information on specific transactions and notes, including working papers at an earlier stage in the process. This was provided in relation to property, plant and equipment, minimum revenue provision, PFI, exit packages, pension fund and accumulated absences.
- ◆ This was supported by continuing the practice agreed in 2014/15 for external valuations of land and buildings to be brought forward to the end of the December. The valuer provides a statement from the as at 31st March confirming their continued accuracy.
- ◆ LGPS figures were received earlier from the actuary to support the earlier calculation of pension's information but figures were again (as they were for 2015/16) required to be refreshed due to market movements between the original calculation date and year end. This continues to be a risk as figures are material and any re-calculation is chargeable.
- ◆ Sample testing commenced as part of the interim audit and this included work on cash and investments.
- ◆ This work was successful in delivering a sign off date for the financial statements by the Joint Chief Finance Officer on 31st May 2017. Delays to the arrangements for appointing a Joint Chief Finance Officer for the PCC and Chief Constable, meant that the earlier planned sign off date of 24 May (immediately following the JASC meeting) could not be achieved. The finance team are however confident that sign off at the JASC meeting in May in future years would be possible in normal circumstances.

3.2. Changes to CIPFA Code of Practice 2016/17 and Telling The Story

The most significant change for the presentation of the 2016/17 financial statements arises as a result of the "telling the story" work undertaken by CIPFA. The project looked to streamline the financial statements and improve accessibility to the user and this resulted in changes to the 2016/17 code of practice. The changes affect the presentation of income and expenditure within the financial

statements. Previously income and expenditure reported on the Comprehensive Income and Expenditure Statement (CIES) was categorised by descriptors provided from the police objective analysis exercise undertaken annually for the Home Office. The changes to the code now require the CIES to be in the same format as used throughout the year for budget monitoring, expecting this to be in operational segments. Neither the Constabulary nor PCC report segmentally during the year, a system of devolved resource management for budgets have resulted in management accounts being presented by subjective headings (e.g. employee, transport, premises, supplies etc.). As a result the Constabulary and PCC have chosen to report as a single reporting segment on the CIES (cost of policing and crime services).

The 2016/17 code introduced the requirement to provide a new note to the accounts, the “Expenditure and Funding Analysis”, this note now supplements the presentation on the CIES and provides a link between the amounts reported during the year as part of the budget monitoring process and the amounts as adjusted for financial reporting purposes in the statement of accounts. Initially in the draft statement of accounts this new note was shown alongside the core financial statements rather than in the notes section. Following discussion with the auditors, it was agreed that this note should appear in the main notes section and this change has been reflected in the finalised statement of accounts now being presented for approval.

A further change introduced by the code occurred in relation to the financial instrument disclosure notes and the fair value hierarchy used in the fair value calculations for financial instruments. The wording in the draft statement of accounts did not reflect this change and a subsequent amendment to the wording has now been provided in the finalised statement of accounts.

3.3. Public Consultation

The draft statements of Accounts for the Chief Constable and PCC/Group have been published on the respective websites since 31 May 2017. The notice of publication advises readers of their rights of inspection. There have been no requests to view the financial statements or accompanying papers.

This concludes the substantive matters considered as part of the production of the statement of accounts.

Peter McCall
Police and Crime Commissioner for Cumbria
Carleton Hall
Penrith CA10 2AU



Mr Robin Baker
Director
Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

21 July 2017
Dear Mr Baker,

The Police and Crime Commissioner for Cumbria
Group Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the group financial statements of the Police and Crime Commissioner for Cumbria (the 'PCC') and its subsidiary undertaking, The Chief Constable for Cumbria Constabulary, for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the group and parent PCC financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent PCC 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 2016/17 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent PCC and these matters have been appropriately reflected and disclosed in the group and parent PCC financial statements.
- iii The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and parent PCC financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent PCC financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the group and parent PCC financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the group or parent PCC has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the group and parent PCC financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the disclosures changes schedules included in your Audit Findings Report. The group and parent PCC financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent PCC financial statements.
- xiv We believe that the group and parent PCC's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent PCC's needs. We believe that no further disclosures relating to the group and parent PCC's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the group and parent PCC financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the group and parent PCC from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.

- xvii All transactions have been recorded in the accounting records and are reflected in the group and parent PCC financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the group and parent PCC financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent PCC involving:
 - a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the group and parent PCC financial statements.
- xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent PCC's financial statements communicated by employees, former employees, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the group and parent PCC's financial statements.
- xxii We have disclosed to you the identity of all the group and parent PCC's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent PCC financial statements.

Annual Governance Statement

- xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the PCC's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Statement

- xxv The disclosures within the Narrative Statement fairly reflect our understanding of the group and parent PCC's financial and operating performance over the period covered by the group and parent PCC financial statements.

Approval

The approval of this letter of representation was minuted by the Joint Audit and Standards Committee at its meeting on 21 July 2017 which was attended by the Police and Crime Commissioner for Cumbria.

Yours sincerely

Peter McCall

Roger Marshall

The Police and Crime Commissioner for Cumbria

Joint Chief Finance Officer

21 July 2017

21 July 2017

Name
 Department Title
 Email your.name@cumbria.police.uk
 T 101 ext:
 My Reference ABC/
 Your Reference DEF/

Chief Constable
 Chief Constable Jerry Graham
 Police Headquarters
 Carleton Hall
 Penrith, Cumbria
 CA10 2AU



cumbriapolice



Mr Robin Baker
 Director
 Grant Thornton UK LLP
 Royal Liver Building
 Liverpool
 L3 1PS

21 July 2017

Dear Mr Baker

The Chief Constable for Cumbria Constabulary

[Financial Statements for the year ended 31 March 2017](#)

This representation letter is provided in connection with the audit of the financial statements of the Chief Constable for Cumbria Constabulary for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

xxvi We have fulfilled our responsibilities for the preparation of 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 2016/17 ("the Code"); which give a true and fair view in accordance therewith.

xxvii We have complied with the requirements of all statutory directions affecting the Chief Constable for Cumbria Constabulary and these matters have been appropriately reflected and disclosed in the financial statements.

xxviii The Chief Constable has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- xxix We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- xxx Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- xxxi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- xxxii Except as disclosed in the financial statements:
- d there are no unrecorded liabilities, actual or contingent
 - e none of the assets of the Chief Constable has been assigned, pledged or mortgaged
 - f there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xxxiii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- xxxiv Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- xxxv All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xxxvi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xxxvii We have considered the disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- xxxviii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xxxix We believe that the Chief Constable's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Chief Constable's needs. We believe that no further disclosures relating to the Chief Constable's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xl We have provided you with:
- g access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - h additional information that you have requested from us for the purpose of your audit; and
 - i unrestricted access to persons within the Constabulary from whom you determined it necessary to obtain audit evidence.

- xli We have communicated to you all deficiencies in internal control of which management is aware.
- xlvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xlvi We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xlii We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Constabulary involving:
 - j management;
 - k employees who have significant roles in internal control; or
 - l others where the fraud could have a material effect on the financial statements.
- xlii We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Chief Constable's financial statements communicated by employees, former employees, regulators or others.
- xlii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xlii We have disclosed to you the identity of all the Chief Constable's related parties and all the related party relationships and transactions of which we are aware.
- xlii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xlii We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Chief Constable's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Statement

- I The disclosures within the Narrative Statement fairly reflect our understanding of the Chief Constable's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Joint Audit and Standards Committee at its meeting on 21 July 2017 which was attended by the Chief Constable for Cumbria Constabulary.

Yours sincerely

Jerry Graham

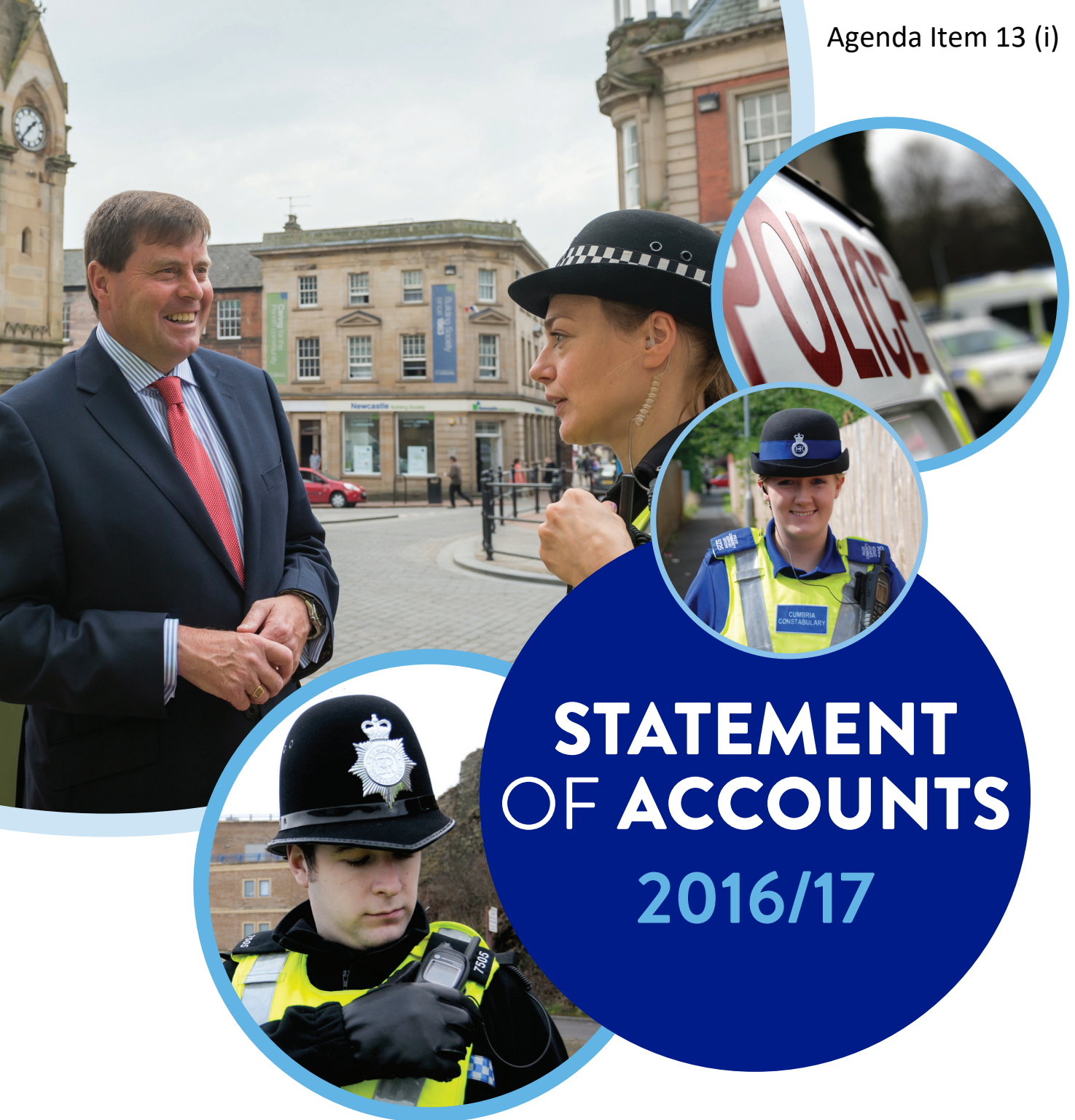
Chief Constable

21 July 2017

Roger Marshall

Chief Finance Office

21 July 2017



STATEMENT OF ACCOUNTS 2016/17



pcc
C U M B R I A

Peter McCall

www.cumbria-pcc.gov.uk



Peter McCall

Police and Crime Commissioner
for Cumbria

Statement of Accounts 2016/17

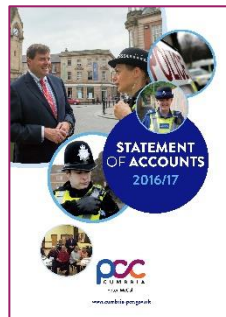
About this Publication

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 2016/17 is available on the Commissioner's website at www.cumbria-pcc.gov.uk.

The corresponding accounts for the Chief Constable can be found on the Constabulary website at: 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.

Alternative Formats



You can get a copy of this document in different formats such as large print, Braille, audio, or in a different language by calling 01768 217734

Bengali

আপনি 01768 217734 এই নম্বর ফোন করে, বিভিন্ন ফরম্যাট যেমন বড় প্রিন্ট, ব্রেইল, অডিও বা একটি ভিন্ন ভাষাতে এই নথিটির একটি কপি পেতে পারেন।

Cantonese

如果您想获取该文件的不同版本，如：大字体印刷、盲文、音频或不同语言版本，请致电：01768 217734。

Lithuanian

Paskambinę telefonu 01768 217734, galite užsisakyti šio dokumento kopiją įvairiais formatais, pavyzdžiui, atspausdintą dideliu šriftu, Brailio raštu, užsisakyti garso įrašą arba gauti dokumentą, išverstą į norimą kalbą.

Polish

Aby otrzymać kopię tego dokumentu w innych formatach, takich jak duży druk, druk Braille'm, audio, lub w innym języku proszę dzwonić pod numer 01768 217734.

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Pode obter uma cópia deste documento em vários formatos, como por exemplo em Braille, áudio, ou numa outra língua. Para tal ligue para o 01768 217734.

Turkish

01768 217734'u arayarak, bu dokümanın bir kopyasını büyük puntolu, körler için kabartmalı, ses dosyası gibi değişik formatlarda veya farklı bir dilde edinebilirsiniz

Police and Crime Commissioner for Cumbria

Statement of Accounts 2016/17

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The **PCC CFO Narrative Report**. For a quick, highly summarised version of this Statement of Accounts please read the next 19 pages. **The full story starts on page 22**, please read that too.

Please see page 37 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 an explanation is provided in the Glossary of Terms.

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2016/17 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.

For 2016/17 the presentation of the financial statements has been updated to reflect the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES) and the introduction of the Expenditure and Funding Analysis note, as a result of the "Telling the Story" review of the presentation of local authority financial statements.

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 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.

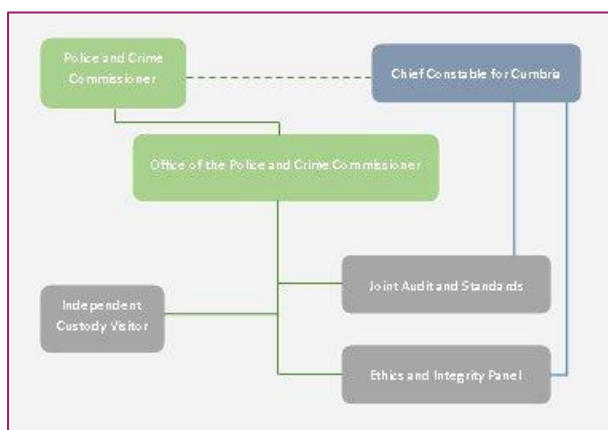
The PRSRA 2011 also established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The Chief Constable is accountable to the Commissioner 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 10.6fte staff including two statutory officers.

The Chief Constable is accountable to the Commissioner and has responsibilities to support the 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 2016/17 were: Barrow 10; Kendal 9, 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 launched his new Police and Crime Plan 'Making Cumbria Even Safer' in November 2016 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 2017 | PCC | | |
|---|-------------|---------------|--------------|
| | Male FTE | Female FTE | Total FTE |
| PCC Single Entity | | | |
| Chief Officers | 1 | 1 | 2 |
| Senior Management | 0 | 2 | 2 |
| All Other Employees | 0 | 7 | 7 |
| Total PCC Employees | 1 | 10 | 11 |
| Group | | | |
| Chief Officers | 9 | 3 | 12 |
| Senior Management | 10 | 5 | 15 |
| All Other Employees | 927 | 807 | 1,734 |
| Total Group Employees | 946 | 815 | 1,761 |

Chief Executive Report

A new Police and Crime Commissioner was elected in May 2016. This is Cumbria's second Police and Crime Commissioner, the first having decided not to seek re-election. Turnout was higher than in 2012 indicating

greater awareness and appreciation of the Commissioner's role.

The new Commissioner's new Police and Crime Plan was launched in November 2016. The Police and Crime Plan 2016-20 contains the police and crime objectives which all contribute toward achieving the Commissioner's overall aim 'to make Cumbria an even safer place'. Each objective is supported by actions that the Constabulary and/or partners will undertake to contribute to successful outcomes. These objectives and actions are underpinned by performance measures used to assess how well the objectives are being achieved. The performance measures are set out in the Commissioner's Performance Management Framework.

Since November 2012 the Commissioner's Office has worked to establish those governance and financial frameworks necessary to fulfil statutory, regulatory and best practice requirements, supported by the relevant professional bodies for local government and policing. This area of activity continues to be developed to ensure the Office continues to meet the highest standards.

Following the election in 2016 the Commissioner has established effective relationships with key local government, criminal justice, health and third sector partners to develop initiatives and commission activities to reduce crime, support victims and enhance community safety and criminal justice. The Commissioner has continued to provide a range of services for victims and specific services for victims of sexual and domestic violence and perpetrator programmes. He has developed the Cumbria Together website (www.CumbriaTogether.com) and funded a county-wide target hardening service for victims of

anti-social behaviour and crime. This activity is driven by public consultation and engagement. The Commissioner has held a considerable number of surgeries, drop-in events and road shows; he has attended numerous parish council meetings and spoken to many groups across Cumbria; in addition he has attended several agricultural shows, carnivals and other similar events. He has also dealt with very many e-mails, telephone calls and letters from the public and his website, which was renewed and refreshed in January 2017, receives approximately 1,500 "hits" every month.

The Commissioner has established a bi-monthly Public Accountability Conference to enable him to scrutinise the Constabulary's performance in terms of crime and anti-social behaviour. The Commissioner also has access to work undertaken by HMIC, external and internal auditors to assist in his scrutiny of governance, finance, process and procedure. He also has – jointly with the Constabulary but independent from both – an Audit and Standards Committee and an Ethics and Integrity Panel.

The level of resources, the mix of skills and the dedication of the staff within the Commissioner's Office has facilitated the transition between Commissioners. I am confident that staff will adapt over the coming months and years to changing demands, such as the changes regarding police complaints due in 2018 and the Commissioner's ambitions for Blue Light collaboration, begin to come on-stream.

Finance Review

2016/17 Grant Settlement and Budget

The Commissioner set a combined net revenue budget of £95.675m for 2016/17 on 24 February 2016. Funding of this amount came from the Police Grant settlement (£59.543m) and income from Council Tax (£36.132m). The budget increased the Council Tax precept by 1.91%, taking the Commissioner's proportion of the band D equivalent tax to £216.63 per annum. The effect of the increase is to support the medium term financial forecast and mitigate the impact of the £0.341m reduction in Police Grant compared to 2015/16. The budget provided funding for the Chief Constable of £106.605m comprising a £111.244m expenditure budget to support policing and an income budget of £4.639m. The Commissioner's budget provided £2.583m 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 £6.883m. Capital expenditure is made up broadly of expenditure on assets that have a useful life of beyond one year. Almost two thirds of the programme related to investment in ICT including the provision of mobile devices, with the remainder being made up estates improvements and the cyclical replacement of fleet vehicles. The budget was funded from capital grants (£2.0m), internal borrowing (£0.1m), direct contributions from revenue (£1.5m) and capital reserves (£3.3m).

The table below shows the summary revenue budget for 2016/17 as set on 24 February 2016, the revised

Joint Chief Finance Officer Narrative Report

budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit). The presentation below 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 below will not reconcile directly to the Summary Comprehensive Income and Expenditure statement on page 9. References to the PCC relate to the Police and Crime Commissioner.

Summary Budget and Outturn

| Summary Budget & Provisional Outturn | Base Budget 2016/17 £000s | Revised Budget 2016/17 £000s | Provisional Outturn 2016/17 £000s | (Under)/ Overspend 2016/17 £000s |
|--------------------------------------|---------------------------------|------------------------------------|---|---|
| Constabulary Budget | 106,605 | 106,971 | 108,100 | 1,129 |
| Office of the PCC | 759 | 764 | 744 | (20) |
| Other PCC budgets | 13,882 | 12,504 | 12,623 | 119 |
| Grants/Contributions | (25,092) | (25,995) | (26,126) | (131) |
| To/(From) Reserves | (479) | 1,431 | 334 | (1,097) |
| Net Expenditure | 95,675 | 95,675 | 95,675 | 0 |
| Government Grants | (59,543) | (59,543) | (59,543) | 0 |
| Council Tax | (36,132) | (36,132) | (36,132) | 0 |
| Total External Funding | (95,675) | (95,675) | (95,675) | 0 |

The Constabulary gross expenditure budget is made up of funding for employee costs (£99.0m; of which Police Officers comprise £75.15m), transport costs of £2.1m and supplies/other costs of £11.8m. The Commissioner's budgets comprise the costs of running his office (£0.764m) and the net position on a range of other costs. These include estates costs (£3.53m for premises used by the Constabulary and Commissioner), Commissioned Services (£2.58m to deliver the Police and Crime Plan) and budgets to

finance capital expenditure and the costs of technical accounting adjustments (£6.30m). PCC other budgets also include the costs of insurance and past pension costs. Overall a net contribution to reserves of £0.334m was made in the year.

In-Year Financial Performance

Revenue Expenditure: The out-turn position for 2016/17 is an overspend of £1.097m. The overall overspend is made up of an overspend of £0.322m on the core budgets of the Commissioner and Constabulary plus a one off contribution of £0.775m to a legal provision in relation to historic pay related claims, which are impacting on all forces. The core overspend equates to 0.3% of the revised net budget of £95.675m. This position performs well against the target for the revenue budget which is for actual expenditure to be within 1% of the budget at out-turn. During 2016/17 the Constabulary has experienced budgetary pressure in a number of areas. The core overspend principally relates to a combination of variances in officer pay, other employee related costs and income, which have been offset to some degree by savings in police staff pay and supplies and services. The Commissioner's budgets came in close to budget with an overall underspend of £0.032m reported. The principal variances related to higher than anticipated estate costs offset by increased levels of grant. Expenditure on the Office of the Police and Crime Commissioner came in £0.020m under budget.

The likelihood that the budget would be overspent was forecast from an early point in 2016/17 through the budget monitoring process. Accordingly, the Commissioner and Chief Constable have put in place measures to restore the reduction in reserves arising

from the overspend in 2016/17 as part of the budget for 2017/18. Detailed outturn reports that explain the full range of variances can be found on the budget and finance section of the Commissioner's website.

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 2016/17 awards totaling £42.5k were made. As at 31 March 2017 the Police Property Act fund balance stood at £104k.

The 2016/17 Capital Expenditure Outturn amounted to £3.0m against a revised budget of £6.9m. During the year Cumbria has been one of first forces to deploy tablet devices, which has facilitated mobile working for officers and staff in roles which are required to operate at multiple locations. Other capital expenditure has been incurred in upgrading the electrical infrastructure at the HQ site and the replacement of vehicles and ICT equipment.

The variance between actual expenditure and the revised budget is £3.9m (56.5%), which is significantly outside the 8% target for variations in capital expenditure. Whilst actual performance has fallen substantially short of target, this has been for a number of reasons, which were largely outside of the control of staff working directly on schemes. The principal reasons for slippage in the programme included, a strategic decision to replace the construction of a Strategic Command Centre with a new Eden Deployment Base including a hostel, which required

the timing of the project to be delayed, contractual difficulties, delays in receiving national guidance and long delivery schedules for police vehicles.

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 Comprehensive Income and Expenditure Statement (CIES)
- The Expenditure and Funding Analysis (EFA)
- The Movement in Reserves Statement (MiRS)
- The Balance Sheet (BS)
- The Cash Flow Statement (CFS)
- The Police Officer Pension Fund Accounts

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Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of policing and other services provided in the year and the income from government grants and council tax that fund those services. The CIES is shown on page 30 of the full statement of accounts. An expenditure and income analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in note 6 on page 49.

The table below sets out a summary CIES statement.

| Summary CI&ES | Gross Expenditure 2016/17 £000s | Gross Income 2016/17 £000s | Net Expenditure 2016/17 £000s |
|---|---------------------------------------|----------------------------------|-------------------------------------|
| Cost of Police Services | 99,000 | (8,907) | 90,093 |
| Cost of Services | 99,000 | (8,907) | 90,093 |
| Other operating expenditure | 17,590 | (17,569) | 21 |
| Financing Costs and Investment Income | 41,180 | (4,052) | 37,128 |
| Council tax and grant income | 0 | (101,622) | (101,622) |
| (surplus)/deficit on the provision of services | 157,770 | (132,150) | 25,620 |
| Other comprehensive income and expenditure | | | 226,783 |
| Total Comprehensive income and expenditure | | | 252,403 |

The statement is prepared in accordance with the expenditure analysis as prescribed by Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). It shows that the net cost of providing services in the year amounted to £90.093m, which is predominantly the costs of policing.

In addition to showing the cost of services, the CIES also sets out net financing costs of £37.128m. The most significant element of financing costs comprise pension charges (£36.609m). These charges are calculated in accordance with generally accepted accounting practices and do not all need to be funded

in the 2016/17 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 £18.402m (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 £25.620m. A further accounting adjustment of £226.783m expenditure through the 'other comprehensive income and expenditure' line results in an overall position on the statement of a deficit of £252.403m. This is an accounting deficit that is taken to Unusable Reserves. Page 7 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 overspend of £1.097m against the 2016/17 budget.

Expenditure and Funding Analysis

This is a note to the accounts that is shown alongside the core financial statements. The note provides an analysis of how annual expenditure is used on a

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subjective basis and the sources of funding in accordance with generally accepted accounting practices. The Commissioner's expenditure and funding analysis is shown on pages 41-42 in the full statement of 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 pages 32-33 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

| Summary Movement in Reserves | Balance 31/03/2016 £000s | Movements 2016/17 £000s | Balance 31/03/2017 £000s |
|------------------------------|--------------------------------|-------------------------------|--------------------------------|
| Police Fund | 3,000 | 0 | 3,000 |
| Earmarked Revenue Reserves | 3,193 | 242 | 3,435 |
| Earmarked Capital Reserves | 17,730 | 99 | 17,829 |
| Capital Receipts | 556 | 370 | 926 |
| Capital Grants Unapplied | 5,442 | (25) | 5,417 |
| Total Usable Reserves | 29,921 | 686 | 30,607 |
| Unusable Reserves | (993,519) | (253,089) | (1,246,608) |
| Total Reserves | (963,598) | (252,403) | (1,216,001) |

Movements in usable reserves for 2016/17 show a net balance of £0.686m. This is the cumulative position recording the amounts we have contributed to 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 £0.370m and were received following the sale of Maryport Police Station and one police house. Capital grants amounting to £0.025m were applied to finance capital expenditure during the year.

At the end of the year, the Police Fund at 31 March 2017 stands at £3.0m and provides for unplanned financial risks. Earmarked revenue reserves are £3.435m. 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 £17.829m are now those set aside to fund the capital programme, all of which is planned to be fully applied by 2022/23. Further detail on earmarked reserves is provided within note 8 to the statement of accounts on pages 54-55.

At the 31st March 2017 we have negative unusable reserves of £1,247m. 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

- £45.802m in respect of the revaluation reserve and capital adjustment account, recording accounting transactions for our capital assets.
- -£1,290m in respect of negative pensions reserves. The pensions reserves record accounting transactions for the Police and Local Government Pension Schemes. The change in the balance on this reserve in 2016/17 is negative and is as a result of changes in actuarial assumptions that have had a negative impact on scheme liabilities.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2017) of the Commissioner's assets and liabilities. The balance sheet is shown on page 34 in the full statement of accounts. The table below sets out a summary balance sheet.

| Summary Balance Sheet | Balance 31/03/2016 £000s | Balance 31/03/2017 £000s |
|-----------------------------|--------------------------------|--------------------------------|
| Property, plant & equipment | 63,854 | 62,325 |
| Long Term Assets | 356 | 2,377 |
| Current assets | 32,250 | 26,827 |
| Current Liabilities | (15,803) | (11,052) |
| Long Term Liabilities | (1,044,255) | (1,296,478) |
| Net Assets | (963,598) | (1,216,001) |
| Usable reserves | 29,921 | 30,607 |
| Unusable Reserves | (993,519) | (1,246,608) |
| Total reserves | (963,598) | (1,216,001) |

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 £62.325m. Of this, land and buildings comprise £52.015m. Long terms assets are comprised of intangible assets £0.334m and a long-term investment of £2.043m. Current assets are principally made up of investments (£8.102m), debtors (£13.882m) and cash (£3.044m) and have a total value of £26.827m. 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 2016/17 10 sundry debtor invoices totaling £1,510 were authorised to be written off as not collectable. The Bad Debt Provision stands at £1,090 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.

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This debt amounts to £1.819m and is reduced by the Commissioner's share of their respective bad debt provisions of £0.876m. See note 14 to the statement of accounts (Page 69).

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 creditors which total £10.927m. The combined short and long term liability on the PFI scheme amount to £5.012m at 31st March 2017. Long term liabilities are the most significant figure on the balance sheet, showing a balance of £1,296m (£1,044m in 2015/16). The main element of this amount is a pension's deficit of £1,290m (£1,039m in 2015/16) 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 35-36 of the full statement of accounts. The table below sets out a summary cash flow statement.

| Summary Cash Flow Statement | Cash flows 2015/16 £000s | Cash flows 2016/17 £000s |
|--|-----------------------------|-----------------------------|
| Cash & Cash Equivalents 1 April | (6,881) | (3,303) |
| Net cash flow from: | | |
| Operating activity | (1,245) | (2,303) |
| Investing activity | 7,725 | (548) |
| Financing activity | (2,902) | 3,110 |
| Cash & Cash Equivalents 31 March, made up of: | (3,303) | (3,044) |
| Bank Accounts | (948) | (2,040) |
| Money Market Funds | (2,355) | (1,004) |

The table shows a cash inflow of £2.303m 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 inflow of £0.548m 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 outflow of £3.110m, this being amount of cash used in relation to financing and borrowing. The position in 2016/17 reflects the return of a £3.0m partner contribution to the financing of the Strategic Command Centre project, which did not ultimately go ahead. The Commissioner has no borrowing other than that which relates to

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finance leases and the PFI agreement. An amount of £110k was paid to reduce those debts during the year.

The Commissioner's cash flow statement shows an overall balance of £3.044m, compared to £3.303m in 2015/16, reflecting a decrease in cash and cash equivalents of £0.259m over the year. At the end of the year £1.004m of the Commissioner's cash was held in money market funds and £2.040m in banks.

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 2015/16 £000s | Pension Fund A/C 2016/17 000s |
|--|--------------------------------|-------------------------------|
| Contributions - Employer | (8,286) | (8,133) |
| Contributions - Officers | (5,305) | (5,179) |
| Contributions - Other | (454) | (419) |
| Benefits Payable | 33,498 | 32,390 |
| Other Payments | 46 | 27 |
| Net Amount Payable | 19,499 | 18,686 |
| Contribution from Home Office | (18,371) | (17,590) |
| Additional Funding Payable by the Police and Crime Commissioner (2.9%) | (1,128) | (1,096) |
| Net Amount Payable | 0 | 0 |

The statement identifies contributions into the fund of £8.133m from the Constabulary (employer) and £5.179m from police officers. Employer contribution rates in 2016/17 were maintained at 21.3%. In total £32.390m of pensions have been paid out of the fund. The balance between contributions and those pensions' benefits of £18.686m has been funded by Home Office Grant of £17.590m and additional contributions from the Commissioner of £1.096m. The full police officer pension fund account is shown on pages 96 to 97 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

2016/17 has seen the continuation 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 Bridgeway' Sexual Assault Support Service, which 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. Since its launch in 2015/16 the Bridgeway has provided support to over 200 victims and survivors of sexual assault. In relation to the provision of wider victim support services the OPCC has researched and completed a victim's needs assessment and a separate sexual assault and abuse needs assessment with the objective of identifying gaps in service provision and providing a direction for future commissioning of services and support.

The OPCC has also commissioned programmes to work with perpetrators of crime. 'Turning the Spotlight on Domestic Abuse' is supported by a Home Office innovation fund bid, which is aimed at reducing incidents of domestic abuse by working with perpetrators and victims of domestic abuse providing a holistic support service for the whole family. Other perpetrator projects include 'The Well', which provides a support service to ex-offenders and veterans to take control of their recovery from substance abuse, and

work targeted at reducing offending and re-offending in female ex-offenders.

2016/17 has also seen the delivery of new commissioning activities. Principal amongst these the setting up of Cumbria's first Youth Commission, which will give young people the opportunity to work alongside the Police and Crime Commissioner to address and develop solutions to issues important to or impacting on them.

A significant priority for the Commissioner is supporting the Constabulary to manage demands for service. Home Office funding of £2.3m was secured for a project to reduce both the number of detentions under the Mental Health Act and demand on police resources and A&E in dealing with mental health crisis through the development of a 24/7 multi-agency mental health crisis and assessment centre. The service will provide 24/7 telephone advice line operated by mental health professionals with access to AMHPs and S12 doctors and providing a place of safety with access to crisis/respite beds to avoid hospital admission. Funding has also been provided to support vulnerable people and reduce police call outs arising from dementia.

Triple A Project. 'All about Autism' is a training film for police, which aims to raise awareness and promote understanding of autism and is the result of a successful partnership project with Cumbria Police, produced by University of Cumbria. The purpose of the DVD is to through training our officers to recognise and better understand some of the particular challenges those with autism experience and the impact this can have in certain situations.

To support reducing the harm caused by hate crime, the OPCC has commissioned initiatives including a theatre production entitled 'Feel the Hate', which was delivered across secondary schools in Cumbria, aimed at raising awareness around the impacts of hate crime. This has 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. For young people the Tackling Child Sexual Exploitation (CSE) project aims to educate young people to the risks associated with CSE. During 2016/17 this included the return of the 'Chelsea's Choice' theatre production which was shown to 6,500 students. Funding has also been provided to MENCAP to develop and produce a series of short films aimed at increasing awareness of the risks of sexual exploitation to people with learning difficulties. In addition to multi-agency partnership activity, a number of grants have also been made available for community groups including several youth groups for initiatives and innovative schemes, which support the objectives of the Police and Crime Plan including preventing and reducing the harm caused by antisocial behaviour.

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 2016

- Launch of the pre-tenancy and homeless project aimed at reducing homelessness of 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.
- Funding awarded to The Well to deliver the Mutual Aid Recovery Project aimed at reducing offending and re-offending.
- Funding awarded for the delivery of Vulnerability Localities Index in Barrow and Copeland to support targeted community interventions.
- Women's Community Matters were awarded PCC Innovation Funding for 3 years to support the delivery of the Petals Project aimed at reducing offending and re-offending amongst women.

May 2016

- New Police and Crime Commissioner takes up office.
- Commissioner attends International Day Against Homophobia event in Carlisle.

June 2016

- Mutual Aid Facilitation programme launched to support ex-offenders and veterans to take control of their recovery from substance misuse.
- Funding awarded to Community Speed Watch Groups to address the concerns around speeding.

August 2016

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- Funded Appleby Heritage Centre to deliver free training to young people focusing on road safety, speed awareness and effect of criminal records on life choices.
- Age UK funded to develop and deliver a comprehensive awareness raising campaign regarding domestic abuse in older people.
- Colton Parish Council awarded funding to deliver effective strategies aimed at tackling rural crime.
- Funded Mirehouse Residents Group to provide a community based youth provision for young people aged 11 to 18 years building positive relationships and self-esteem.

September 2016

- Feel the Hate theatre production delivered in secondary schools aimed at raising awareness around the impacts of hate crime.

October 2016

- Young Cumbria awarded funding to develop and design a Youth Commission.
- Eden FM awarded funding to support a live 'Crime in the Community' radio programme.
- Commissioner agrees the roll-out of Dignity in Dementia across the county following a successful pilot programme in South Cumbria.
- Carlisle YMCA funded to provide a detached youth work project in Carlisle Wards, aim at reducing incidents of anti-social behaviour and to encourage more positive and active lifestyle.

November 2016

- Launch of the new Police and Crime Plan for 2017-20.

- Launch of the new Copeland Hub.
- Commissioned Birchall Trust and Safety Net to provide specialist therapeutic services aimed at increasing capacity of the existing service.
- Commissioner visited Carlisle Youth Zone to view the successful Mentoring Project The project is in its second year and was funded by the OPCC over a three year period.

December 2016

- Turning Point awarded funding to help promote opportunities for service users through recovery and rehabilitation service.

January 2017

- Launch of MENCAP DVD a series of short films focusing on sexual exploitation and abuse aimed at educating and bringing awareness of risks to people with learning difficulties.
- Commissioner publishes Sexual Needs Assessment for Cumbria. The detailed report highlighted gaps in service and support for victims of sexual assault in Cumbria.

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February 2017

- Commissioner agrees budget for 2017/18.
- Commissioner announces increase in the amount available through the Property Fund from £1,000 to £2,500.

March 2017

- Commissioner launches Cumbria's First Youth Commission, the innovative programme enables young people to be involved in resolving issues in their community.
- Launch Brampton Speedwatch Project aimed at reducing incidents of irresponsible and dangerous driving in the community.
- Commissioner attends Whitehaven Foyer to view 'Peer Pressure Workshops' Funded through the Commissioners Community Fund.
- Commissioner agrees Budget for 2017/18.
- Dignity in Dementia wins regional NHS Award- The project received the runner-up award in the 'Living Well' category of the awards.

April 2017

- Purdah period commences for County Council and General Elections in May and June.
- PCC grants extension to Step-up project for a further 6 months following successful delivery of their domestic abuse intervention programme.
- Funding awarded to Gosforth Amateur Dramatic Society Youth Theatre to provide social activities for young people.
- Commissioner launches Community Awards, a new scheme to recognise the outstanding work

carried out by people within Cumbria on a voluntary or professional capacity.

- Commissioner publishes Risky Business Report, Young Cumbria were commissioner to develop and deliver a youth engagement project with the overall aim of designing and developing a Youth Commission in Cumbria.

May 2017

- Launch of the Autism specific awareness training file and Autism Alert Cards funded through the PCC Community Fund.
- Commissioner publishes Victim Needs Assessment for Cumbria, the detailed report highlighted gaps around services and support for victims in Cumbria.

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 2016 HMIC determined that the overall judgement for Cumbria Constabulary was 'good' in respect of effectiveness, efficiency and legitimacy. The Chief Constable reports to the Police and

Crime Commissioner on how the Constabulary will tackle those areas requiring improvement and his response to HMIC recommendations.

- For 2016/17 crime reduced by 2.1%, which equates to a reduction of 551 crimes over the 12 month period to 31st March 2017. This position is better than the national trend, where most forces have experienced an increase in crime during 2016/17. Cumbria continues to maintain the second lowest level of reported crime in the whole country.
- Violence against the person offences have fallen by 1.4% over the year. However, within this crime category, assaults causing serious injury have increased although the numbers remain very small. Cumbria is 3rd lowest nationally for volume of crimes.

Community Safety

- Antisocial behaviour has continued to fall, and has seen a 11.1% reduction compared to the same period last year; this includes a small reduction in youth anti-social behaviour. Nationally Cumbria has the lowest number of incidents.
- Hate crimes and incidents continue to be closely monitored. During 2016/17, although there was an increase in the reporting of racial hate crimes and incidents nationally following the EU referendum, Cumbria did not follow this trend experiencing a 13.2% fall in actual hate crimes, however the number of hate incidents increased. The Constabulary and partners continue to work to encourage reporting of hate crime. 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. During the year reported incidents of domestic abuse have reduced by 1%, however, there has been a 20% increase for sexual offences which were largely child sexual exploitation and historical offences. The effectiveness of support arrangements are measured by the reduction in repeat victims of domestic abuse, this shows a small decrease of 1% or 68 incidents compared to 2015/16.

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 26.7% for 2016/17.
- Cumbria conviction rates for Magistrates Court cases for the quarter to December 2016 equated to 91.2%, which is ranked 2nd nationally amongst 42 forces. Crown Court convictions for the same period equate to 88.6%, Cumbria is ranked 3rd 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 for the overall service experience (which includes criteria such as 'making contact', 'action taken', treatment by staff') remain high at 88.1%, which compares to 88.7% in 2015/16
- When allegations are made against the police, those resolved locally perform well against national comparative timescales, taking an average of 34 days, achieving a ranking of 5th nationally. No subsequent IPCC appeals resulted from the local resolutions, demonstrating improvements in the local resolution process.

Finance & Value for Money

- We measure our performance against targets for achieving financial outturn within a percentage of the net budget. For 2016/17 this was set at 1% for the revenue budget and 8% for the capital budget.
- Actual performance for revenue (excluding the one off contribution to provisions) was 0.3%, achieving well within the target.
- Capital outturn was 56% below budget, falling significantly outside target. Whilst this was a disappointing result, 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. 2016/17 HMIC most similar force (MSG) comparators show that the total budget for the Commissioner and Office of the Police and Crime Commissioner was slightly lower than the group average and the second lowest within the MSG based on Police Objective Analysis data.
- Costs are significantly higher (34%) 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) 2016 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 2016/17 financial year.

The Future Outlook

On May 12th 2016 Mr Peter McCall commenced office as the new Police and Crime Commissioner for Cumbria and has launched his Police and Crime Plan covering

the period to 2020. The Plan's key theme is 'Making Cumbria Even Safer' and sets the strategic direction for policing and wider aims for enhancing community safety, criminal justice and supporting victims.

The Commissioner inherited a strong overall financial position, which is reflected in the Medium Term Financial Forecast, which sets out the revenue budget position until 2020/21 and a capital programme which is fully funded over the same period which will support delivery of 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 to reduce costs in the context of reductions in government funding since 2010. This has enabled reserves to be maintained at a level that provides financial resilience and supports continued investment.

The Medium Term Financial Strategy and 2017/18 budget was approved in the context of the 2015 CSR that sets out the Government's medium term plans for public spending. Whilst those plans protect police spending in cash terms, after taking into account the capacity to raise Council Tax, further savings and efficiencies will need to be identified to balance the budget over the medium term.

Against this background the 2017/18 budget resources an establishment of 1122 Police Officers supported by 95 Police and Community Support Officers and 608 Police Staff. The budget delivers £116.391m funding for the Chief Constable to deliver policing for Cumbria. The longer term 10 year capital programme commits to £59.5m investment across the estate, fleet and ICT.

Whilst the position is financially resilient in the short term the future outlook is highly uncertain. In 2017/18

39% (£37.5m) of income to meet the budget requirement is derived locally from taxation. The balance of 61% (£58.7m) comes from central government police formula grant. Announcements expected during 2017/18 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 31st March 2017 this issue is the only risk recorded within the Commissioner's strategic risk register. Based on a previous proposal to revise the funding formula in 2015, Cumbria could suffer a forecast funding loss of up to £16m, dependent on the indicators used to distribute funding. Conversely, if the outcome of formula funding changes was neutral for Cumbria, the budget would be broadly balanced up to 2018/19 with a much lower savings requirement of £1.9m emerging by 2019/20.

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 Joint Chief Finance Officer on 31 May 2017. Following completion of the audit, they were re-authorised by me on 21 July 2017 and were formally approved by the Police and Crime Commissioner on 21 July 2017.

In closing, it is appropriate to acknowledge the dedication and professionalism of Michelle Bellis the Deputy Chief Finance Officer, Lorraine Holme, Simon Nicholson 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.

Roger Marshall

Joint Chief Finance Officer

The accounts present a true and fair view of the position of the Police and Crime Commissioner for Cumbria Single Entity and Group Accounts as at 31 March 2017 and its income and expenditure for the year there ended.

Signature removed for publication on website

Roger Marshall CPFA

Joint Chief Finance Officer

Date: 21 July 2017

Signature removed for publication on website

Peter McCall

The Police and Crime Commissioner for Cumbria

21 July 2017

Responsibilities for the Statement of Accounts

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 Joint 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 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 Joint 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.

3 The Joint Chief Finance Officer's Responsibilities

The Joint Chief Finance Officer is responsible for the preparation of the Commissioner's, Chief Constable's and Group Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Account, the 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.

Responsibilities for the Statement of Accounts

The 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 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 2017.



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 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement – Group, the Comprehensive Income and Expenditure Statement – PCC, the Movement in Reserves Statement - Group, the Movement in Reserves Statement – PCC, the Balance Sheet – PCC & Group, the Cash Flow Statement – PCC & Group and the related notes and Annexes A, B and C and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, the Pension Fund 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 2016/17.

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 Joint Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Joint Chief Financial 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Joint Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Joint Chief Finance Officer Narrative Report and Annex D - 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 2017 and of the Police and Crime Commissioner's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Police and Crime Commissioner under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Police and Crime Commissioner and auditor

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing 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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. 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 put in place proper arrangements for securing economy, efficiency and effectiveness in its use of 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 2016, we are satisfied that in all significant respects the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Independent Auditor's Report

Certificate

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

[Signature]

Robin Baker

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

Royal Liver Building

Liverpool

L3 1PS

[Date]

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

- **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.

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

- **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 2016/17 and the comparators for 2015/16 are also 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 2016/17 figures and 2015/16 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 2016/17 figures and 2015/16 comparators.

Comprehensive Income and Expenditure Statement – Group

| Comprehensive Income and Expenditure Statement (Group) | | Notes | Group 2015/16 Gross Expenditure re-stated £000s | Group 2015/16 Gross Income re-stated £000s | Group 2015/16 Net Expenditure re-stated £000s | Group 2016/17 Gross Expenditure £000s | Group 2016/17 Gross Income £000s | Group 2016/17 Net Expenditure £000s |
|--|--|---------------------|--|---|--|---|--|---|
| | Cost of Policing and Crime Services | # | 105,852 | (6,416) | 99,436 | 99,000 | (8,907) | 90,093 |
| | Cost of Policing and Crime Services | | 105,852 | (6,416) | 99,436 | 99,000 | (8,907) | 90,093 |
| | Other Operating Expenditure | | | | | | | |
| | (Gain)/loss on disposal of non current assets | 9e | 0 | (47) | (47) | 0 | 21 | 21 |
| | Transfer to Pension Fund/Pension Top Up Grant | | 18,371 | (18,371) | 0 | 17,590 | (17,590) | 0 |
| | | | 18,371 | (18,418) | (47) | 17,590 | (17,569) | 21 |
| | Financing and Investment Income and Expenditure | | | | | | | |
| | Interest payable on PFI unitary payments | | 646 | 0 | 646 | 633 | 0 | 633 |
| | Net Interest on the net defined benefit liability (asset) | Annex C (Pg 113) | 42,245 | (3,615) | 38,630 | 40,547 | (3,938) | 36,609 |
| | Investment property rental income | | 0 | (12) | (12) | 0 | (12) | (12) |
| | Investment interest income | | 0 | (124) | (124) | 0 | (102) | (102) |
| | | | 42,891 | (3,751) | 39,140 | 41,180 | (4,052) | 37,128 |
| | Taxation and Non-Specific Grant Income | | | | | | | |
| | Recognised capital grants and contributions | 27 | 0 | (1,316) | (1,316) | 0 | (429) | (429) |
| | Income from Council Tax | 29 | 0 | (35,143) | (35,143) | 0 | (36,113) | (36,113) |
| | Council Tax Grant (Freeze & Support) | 27 | 0 | (4,850) | (4,850) | 0 | (4,850) | (4,850) |
| | Formula Funding | 27 | 0 | (30,999) | (30,999) | 0 | (30,822) | (30,822) |
| | Home Office Police Grant | 27 | 0 | (28,886) | (28,886) | 0 | (28,721) | (28,721) |
| | PFI Grant | 27 | 0 | (688) | (688) | 0 | (687) | (687) |
| | | | 0 | (101,882) | (101,882) | 0 | (101,622) | (101,622) |
| | (Surplus) or Deficit on Provision of Services | | 167,114 | (130,467) | 36,647 | 157,770 | (132,150) | 25,620 |
| | Surplus or Deficit on revaluation of Property, Plant and Equipment Assets | | | | | | | |
| | Revaluation (Gains) | 9 | | | (148) | | | (1,825) |
| | Revaluation losses (chargeable to revaluation reserve) | 9 | | | 522 | | | 618 |
| | Impairment losses (chargeable to revaluation reserve) | 9 | | | 539 | | | 0 |
| | Surplus or deficit on revaluation of available for sale financial assets | | | | 0 | | | 18 |
| | - Generally movement in Available for Sale FI's | | | | | | | |
| | Actuarial (gains) / losses on pension assets / liabilities | | | | | | | |
| | - Matching the entry to the pensions reserve | Annex C (Pg 113) | | | (169,985) | | | 227,972 |
| | Other Comprehensive Income and Expenditure | | | | (169,072) | | | 226,783 |
| | Total Comprehensive Income and Expenditure | | | | (132,425) | | | 252,403 |

The format of the Comprehensive Income and Expenditure Statement (CIES) has been updated in accordance with the requirements of CIPFA's Code of Practice on Local Authority Accounting and as such the figures reported for 2015/16 are marked as being re-stated. An explanation of the changes is provided in the Prior Period Adjustment note (note 35).

A more detailed analysis of the figures that make up the "Cost of Policing and Crime Services" can be found in the Expenditure and Funding Analysis ([Note 5](#)) and in the Expenditure and Income Analysed by Nature note (Note 6).

Comprehensive Income and Expenditure Statement – PCC

| Comprehensive Income and Expenditure Statement (PCC) | | | PCC 2015/16 Gross Expenditure re-stated £000s | PCC 2015/16 Gross Income re-stated £000s | PCC 2015/16 Net Expenditure re-stated £000s | PCC 2016/17 Gross Expenditure £000s | PCC 2016/17 Gross Income £000s | PCC 2016/17 Net Expenditure £000s |
|--|---------------------|--|--|---|--|---|--|---|
| | Notes | | | | | | | |
| Cost of Policing and Crime Services | # | | 14,282 | (14,355) | (73) | 14,069 | (16,288) | (2,219) |
| Funding Provided by PCC to CC | | | 104,109 | 0 | 104,109 | 105,327 | | 105,327 |
| Cost of Policing and Crime Services | | | 118,391 | (14,355) | 104,036 | 119,396 | (16,288) | 103,108 |
| Other Operating Expenditure | | | | | | | | |
| (Gain)/loss on disposal of non current assets | 9e | | 0 | (47) | (47) | 0 | 21 | 21 |
| Transfer to Pension Fund/Pension Top Up Grant | | | 18,371 | (18,371) | 0 | 17,590 | (17,590) | 0 |
| | | | 18,371 | (18,418) | (47) | 17,590 | (17,569) | 21 |
| Financing and Investment Income and Expenditure | | | | | | | | |
| Interest element of finance leases (lessee) | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest payable on PFI unitary payments | | | 646 | 0 | 646 | 633 | 0 | 633 |
| Net Interest on the net defined benefit liability (asset) | Annex C (Pg 114) | | 108 | (83) | 25 | 117 | (95) | 22 |
| Investment property rental income | | | 0 | (12) | (12) | 0 | (12) | (12) |
| Investment interest income | | | 0 | (124) | (124) | 0 | (102) | (102) |
| | | | 754 | (219) | 535 | 750 | (209) | 541 |
| Taxation and Non-Specific Grant Income | | | | | | | | |
| Recognised capital grants and contributions | 27 | | 0 | (1,316) | (1,316) | 0 | (429) | (429) |
| Income from Council Tax | 29 | | 0 | (35,143) | (35,143) | 0 | (36,113) | (36,113) |
| Council Tax Grant (Freeze & Support) | 27 | | 0 | (4,850) | (4,850) | 0 | (4,850) | (4,850) |
| Formula Funding | 27 | | 0 | (30,999) | (30,999) | 0 | (30,822) | (30,822) |
| Home Office Police Grant | 27 | | 0 | (28,886) | (28,886) | 0 | (28,721) | (28,721) |
| PFI Grant | 27 | | 0 | (688) | (688) | 0 | (687) | (687) |
| | | | 0 | (101,882) | (101,882) | 0 | (101,622) | (101,622) |
| (Surplus) or Deficit on Provision of Services | | | 137,516 | (134,874) | 2,642 | 137,736 | (135,688) | 2,048 |
| Surplus or Deficit on revaluation of Property, Plant and Equipment Assets | | | | | | | | |
| Revaluation gains | 9 | | | | (148) | | | (1,825) |
| Revaluation losses (chargeable to revaluation reserve) | 9 | | | | 522 | | | 618 |
| Impairment losses (chargeable to revaluation reserve) | 9 | | | | 539 | | | 0 |
| Surplus or deficit on revaluation of available for sale financial assets | | | | | | | | 18 |
| - Generally movement in Available for Sale FI's | | | | | | | | |
| Actuarial (gains) / losses on pension assets / liabilities | | | | | | | | |
| - Matching the entry to the pensions reserve | Annex C (Pg 114) | | | | (189) | | | 541 |
| Other Comprehensive Income and Expenditure | | | | | 724 | | | (648) |
| Total Comprehensive Income and Expenditure | | | | | 3,366 | | | 1,400 |

The format of the Comprehensive Income and Expenditure Statement (CIES) has been updated in accordance with the requirements of CIPFA's Code of Practice on Local Authority Accounting and as such the figures reported for 2015/16 are marked as being re-stated. An explanation of the changes is provided in the Prior Period Adjustment note (note 35).

A more detailed analysis of the figures that make up the "Cost of Policing and Crime Services" can be found in the Expenditure and Funding Analysis ([Note 5](#)) and in the Expenditure and Income Analysed by Nature note (Note 6).

Movement in Reserves Statement - Group

The figures for the group in 2016/17 are provided in the table below:

| Movement in Reserves Statement (Group) Figures for 2016/17 | | Note | Balance at 1 April 2016 | 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 7) | Net increase / (decrease) before transfers to/from earmarked reserves | Increase/ (decrease) in 2016/17 | Balance at 31 March 2017 |
|--|-----|------|-------------------------|--|---|---|---|---|------------------------------------|--------------------------|
| | | | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Usable Reserves | | | | | | | | | | |
| Police Fund Account | - | | 3,000 | (25,620) | 0 | (25,620) | 25,961 | 341 | 0 | 3,000 |
| Earmarked Revenue Reserves | 8 | | 3,193 | 0 | 0 | 0 | 0 | 0 | 242 | 3,435 |
| Earmarked Capital Reserves | 8 | | 17,730 | 0 | 0 | 0 | 0 | 0 | 99 | 17,829 |
| Capital Receipts Reserve | 19 | | 556 | 0 | 0 | 0 | 370 | 370 | 370 | 926 |
| Capital Grants Unapplied | 19 | | 5,442 | 0 | 0 | 0 | (25) | (25) | (25) | 5,417 |
| Total Usable Reserves | | | 29,921 | (25,620) | 0 | (25,620) | 26,306 | 686 | 686 | 30,607 |
| Unusable Reserves | | | | | | | | | | |
| Revaluation Reserve | 20a | | 8,307 | 0 | 1,207 | 1,207 | (66) | 1,141 | 1,141 | 9,448 |
| Capital Adjustment Account | 20b | | 38,973 | 0 | 0 | 0 | (2,619) | (2,619) | (2,619) | 36,354 |
| Police Pensions Reserve | 20e | | (1,012,460) | 0 | (208,210) | (208,210) | (22,450) | (230,660) | (230,660) | (1,243,120) |
| LGPS Pensions Reserve | 20e | | (26,223) | 0 | (19,762) | (19,762) | (1,151) | (20,913) | (20,913) | (47,136) |
| Collection Fund Adjustment Account | 20c | | 739 | 0 | 0 | 0 | (19) | (19) | (19) | 720 |
| Accumulated Absences Account | 20d | | (2,855) | 0 | 0 | 0 | (1) | (1) | (1) | (2,856) |
| Available for Sale Financial Instruments Reserve | 20f | | 0 | 0 | (18) | (18) | 0 | (18) | (18) | (18) |
| Total Unusable Reserves | | | (993,519) | 0 | (226,783) | (226,783) | (26,306) | (253,089) | (253,089) | (1,246,608) |
| Total Reserves | | | (963,598) | (25,620) | (226,783) | (252,403) | 0 | (252,403) | (252,403) | (1,216,001) |

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

| Movement in Reserves Statement (Group) Figures for 2015/16 | | 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 7) | Net increase / (decrease) before transfers to/from earmarked reserves | Increase/ (decrease) in 2015/16 | Balance at 31 March 2016 |
|--|-----|------|-------------------------|--|---|---|---|---|------------------------------------|--------------------------|
| | | | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Usable Reserves | | | | | | | | | | |
| Police Fund Account | - | | 5,149 | (36,647) | 0 | (36,647) | 33,034 | (3,613) | (2,149) | 3,000 |
| Earmarked Revenue Reserves | 8 | | 13,844 | 0 | 0 | 0 | 0 | 0 | (10,651) | 3,193 |
| Earmarked Capital Reserves | 8 | | 8,543 | 0 | 0 | 0 | 0 | 0 | 9,187 | 17,730 |
| Capital Receipts Reserve | 19 | | 0 | 0 | 0 | 0 | 556 | 556 | 556 | 556 |
| Capital Grants Unapplied | 19 | | 4,732 | 0 | 0 | 0 | 710 | 710 | 710 | 5,442 |
| Total Usable Reserves | | | 32,268 | (36,647) | 0 | (36,647) | 34,300 | (2,347) | (2,347) | 29,921 |
| Unusable Reserves | | | | | | | | | | |
| Revaluation Reserve | 20a | | 9,315 | 0 | (913) | (913) | (95) | (1,008) | (1,008) | 8,307 |
| Capital Adjustment Account | 20b | | 39,259 | 0 | 0 | 0 | (286) | (286) | (286) | 38,973 |
| Police Pensions Reserve | 20e | | (1,142,570) | 0 | 161,090 | 161,090 | (30,980) | 130,110 | 130,110 | (1,012,460) |
| LGPS Pensions Reserve | 20e | | (32,177) | 0 | 8,895 | 8,895 | (2,941) | 5,954 | 5,954 | (26,223) |
| Collection Fund Adjustment Account | 20c | | 583 | 0 | 0 | 0 | 156 | 156 | 156 | 739 |
| Accumulated Absences Account | 20d | | (2,701) | 0 | 0 | 0 | (154) | (154) | (154) | (2,855) |
| Total Unusable Reserves | | | (1,128,291) | 0 | 169,072 | 169,072 | (34,300) | 134,772 | 134,772 | (993,519) |
| Total Reserves | | | (1,096,023) | (36,647) | 169,072 | 132,425 | 0 | 132,425 | 132,425 | (963,598) |

Movement in Reserves Statement – PCC

The figures for the PCC Single Entity in 2016/17 are provided in the table below:

| Movement in reserves Statement (PCC) Figures for 2016/17 | | | | | | | | | |
|---|------|-------------------------|---|--|--|--|---|---------------------------------|--------------------------|
| | Note | Balance at 1 April 2016 | 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 7) | Net increase / (decrease) before transfers to/from earmarked reserves | Increase/ (decrease) in 2016/17 | Balance at 31 March 2017 |
| | | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Usable Reserves | | | | | | | | | |
| Police Fund Account | - | 3,000 | (2,048) | 0 | (2,048) | 2,389 | 341 | 0 | 3,000 |
| Earmarked Revenue Reserves | 8 | 3,193 | 0 | 0 | 0 | 0 | 0 | 242 | 3,435 |
| Earmarked Capital Reserves | 8 | 17,730 | 0 | 0 | 0 | 0 | 0 | 99 | 17,829 |
| Capital Receipts Reserve | 19 | 556 | 0 | 0 | 0 | 370 | 370 | 370 | 926 |
| Capital Grants Unapplied | 19 | 5,442 | 0 | 0 | 0 | (25) | (25) | (25) | 5,417 |
| Total Usable Reserves | | 29,921 | (2,048) | 0 | (2,048) | 2,734 | 686 | 686 | 30,607 |
| Unusable Reserves | | | | | | | | | |
| Revaluation Reserve | 20a | 8,307 | 0 | 1,207 | 1,207 | (66) | 1,141 | 1,141 | 9,448 |
| Capital Adjustment Account | 20b | 38,973 | 0 | 0 | 0 | (2,619) | (2,619) | (2,619) | 36,354 |
| LGPS Pensions Reserve | 20e | (687) | 0 | (541) | (541) | (30) | (571) | (571) | (1,258) |
| Collection Fund Adjustment Account | 20c | 739 | 0 | 0 | 0 | (19) | (19) | (19) | 720 |
| Accumulated Absences Account | 20d | (7) | 0 | 0 | 0 | 0 | 0 | 0 | (7) |
| Available for Sale Financial Instruments Reserve | 20f | 0 | 0 | (18) | (18) | 0 | (18) | (18) | (18) |
| Total Unusable Reserves | | 47,325 | 0 | 648 | 648 | (2,734) | (2,086) | (2,086) | 45,239 |
| Total Reserves | | 77,246 | (2,048) | 648 | (1,400) | 0 | (1,400) | (1,400) | 75,846 |

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

| Movement in Reserves Statement (PCC) Figures for 2015/16 | | | | | | | | | |
|---|------|-------------------------|---|--|--|--|---|---------------------------------|--------------------------|
| | 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 7) | Net increase / (decrease) before transfers to/from earmarked reserves | Increase/ (decrease) in 2015/16 | Balance at 31 March 2016 |
| | | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Usable Reserves | | | | | | | | | |
| Police Fund Account | - | 5,149 | (2,642) | 0 | (2,642) | (971) | (3,613) | (2,149) | 3,000 |
| Earmarked Revenue Reserves | 8 | 13,844 | 0 | 0 | 0 | 0 | 0 | (10,651) | 3,193 |
| Earmarked Capital Reserves | 8 | 8,543 | 0 | 0 | 0 | 0 | 0 | 9,187 | 17,730 |
| Capital Receipts Reserve | 19 | 0 | 0 | 0 | 0 | 556 | 556 | 556 | 556 |
| Capital Grants Unapplied | 19 | 4,732 | 0 | 0 | 0 | 710 | 710 | 710 | 5,442 |
| Total Usable Reserves | | 32,268 | (2,642) | 0 | (2,642) | 295 | (2,347) | (2,347) | 29,921 |
| Unusable Reserves | | | | | | | | | |
| Revaluation Reserve | 20a | 9,315 | 0 | (913) | (913) | (95) | (1,008) | (1,008) | 8,307 |
| Capital Adjustment Account | 20b | 39,259 | 0 | 0 | 0 | (286) | (286) | (286) | 38,973 |
| LGPS Pensions Reserve | 20e | (796) | 0 | 189 | 189 | (80) | 109 | 109 | (687) |
| Collection Fund Adjustment Account | 20c | 583 | 0 | 0 | 0 | 156 | 156 | 156 | 739 |
| Accumulated Absences Account | 20d | (17) | 0 | 0 | 0 | 10 | 10 | 10 | (7) |
| Total Unusable Reserves | | 48,344 | 0 | (724) | (724) | (295) | (1,019) | (1,019) | 47,325 |
| Total Reserves | | 80,612 | (2,642) | (724) | (3,366) | 0 | (3,366) | (3,366) | 77,246 |

Balance Sheet – PCC & Group

| Balance Sheet | Notes | PCC | PCC | Group | Group |
|--|-------|-----------------|-----------------|--------------------|--------------------|
| | | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 |
| | | £000s | £000s | £000s | £000s |
| Property, Plant & Equipment | | | | | |
| Land and Buildings | 9 | 52,098 | 52,015 | 52,098 | 52,015 |
| Vehicles | 9 | 2,888 | 2,267 | 2,888 | 2,267 |
| Information Technology Equipment | 9 | 6,867 | 6,414 | 6,867 | 6,414 |
| Furniture, Equipment & Plant | 9 | 1,702 | 1,512 | 1,702 | 1,512 |
| Assets Under Construction (Land & Buildings) | 9 | 199 | 7 | 199 | 7 |
| Investment Properties | | 100 | 110 | 100 | 110 |
| | | 63,854 | 62,325 | 63,854 | 62,325 |
| Long Term Investments | 17 | 0 | 2,043 | 0 | 2,043 |
| Intangible Assets - Software | 11 | 356 | 334 | 356 | 334 |
| Long Term Assets | | 64,210 | 64,702 | 64,210 | 64,702 |
| Short Term Investments | 17 | 15,030 | 8,102 | 15,030 | 8,102 |
| Assets held for sale (within 1yr) | 10 | 1,744 | 1,546 | 1,744 | 1,546 |
| Inventories | | 0 | 0 | 268 | 253 |
| Short Term Debtors (external) | 14 | 11,905 | 13,882 | 11,905 | 13,882 |
| Short Term Debtors (amounts owed to PCC by CC re CC share of external Creditors) | 14 | 8,577 | 8,164 | 0 | 0 |
| Short Term Debtors (funding balance owed to PCC by CC) | 14 | 4,626 | 4,688 | 0 | 0 |
| Cash and Cash Equivalents | CF6 | 3,303 | 3,044 | 3,303 | 3,044 |
| Current Assets | | 45,185 | 39,426 | 32,250 | 26,827 |
| Short Term Creditors (external) | 15 | (12,693) | (10,927) | (12,693) | (10,927) |
| Short Term Creditors (amounts owed by PCC to CC re CC share of external debtors) | 15 | (4,433) | (4,520) | 0 | 0 |
| Short Term Creditors (funding balance due from PCC to CC) | 15 | (6,214) | (6,565) | 0 | 0 |
| PFI Finance Lease Liability Due within 1 Year | 12 | (110) | (125) | (110) | (125) |
| Finance Lease Liability Due within 1 Year | | 0 | 0 | 0 | 0 |
| Grants Receipts in Advance | 28 | (3,000) | 0 | (3,000) | 0 |
| Current Liabilities | | (26,450) | (22,137) | (15,803) | (11,052) |
| Provisions | 16 | 0 | 0 | (560) | (1,335) |
| Other Long Term Liabilities | | | | | |
| Pensions liability - Police | 18 | 0 | 0 | (1,012,460) | (1,243,120) |
| Pensions liability - LGPS | 18 | (687) | (1,258) | (26,223) | (47,136) |
| PFI Finance Lease Liability | 12 | (5,012) | (4,887) | (5,012) | (4,887) |
| Long Term Liabilities | | (5,699) | (6,145) | (1,044,255) | (1,296,478) |
| Net Assets | | 77,246 | 75,846 | (963,598) | (1,216,001) |
| Usable reserves | 19 | | | | |
| Police Fund | | 3,000 | 3,000 | 3,000 | 3,000 |
| Earmarked reserves (revenue) | 8 | 3,193 | 3,435 | 3,193 | 3,435 |
| Earmarked reserves (capital) | 8 | 17,730 | 17,829 | 17,730 | 17,829 |
| Capital Receipts Reserve | 7 | 556 | 926 | 556 | 926 |
| Capital Grants Unapplied | 7 | 5,442 | 5,417 | 5,442 | 5,417 |
| | | 29,921 | 30,607 | 29,921 | 30,607 |
| Unusable Reserves | 20 | | | | |
| Revaluation Reserve | 20a | 8,307 | 9,448 | 8,307 | 9,448 |
| Capital Adjustment Account | 20b | 38,973 | 36,354 | 38,973 | 36,354 |
| Pensions Reserve - Police | 20e | 0 | 0 | (1,012,460) | (1,243,120) |
| Pensions Reserve - LGPS | 20e | (687) | (1,258) | (26,223) | (47,136) |
| Collection Fund Adjustment Account | 20c | 739 | 720 | 739 | 720 |
| Accumulated Absences Account | 20d | (7) | (7) | (2,855) | (2,856) |
| Available for Sale Financial Instruments Reserve | 20f | 0 | (18) | 0 | (18) |
| | | 47,325 | 45,239 | (993,519) | (1,246,608) |
| Total Reserves | | 77,246 | 75,846 | (963,598) | (1,216,001) |

Cash Flow Statement – PCC & Group

| Cash Flow Statement (PCC and Group) | See Note Below | PCC 2015/16 £000s | PCC 2016/17 £000s | Group 2015/16 £000s | Group 2016/17 £000s |
|--|----------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| Net (Surplus) or Deficit on the provision of services | | 2,642 | 2,048 | 36,647 | 25,620 |
| Adjustment to net surplus or deficit on the provision of services for non-cash movements | CF1 | (4,456) | (4,728) | (38,461) | (28,300) |
| Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | CF2 | 569 | 377 | 569 | 377 |
| Net cash (inflow)/ outflow from Operating Activities | CF3 | (1,245) | (2,303) | (1,245) | (2,303) |
| Investing Activities | CF4 | 7,725 | (548) | 7,725 | (548) |
| Financing Activities | CF5 | (2,902) | 3,110 | (2,902) | 3,110 |
| Net (increase) or decrease in cash and cash equivalents | | 3,578 | 259 | 3,578 | 259 |
| Cash and cash equivalents at the beginning of the reporting period | | (6,881) | (3,303) | (6,881) | (3,303) |
| Cash and cash equivalents at the end of the reporting period | CF6 | (3,303) | (3,044) | (3,303) | (3,044) |
| Notes to the Cash Flow Statement | | | | | |
| CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows: | | | | | |
| Depreciation & Amortisation | | (4,464) | (4,761) | (4,464) | (4,761) |
| Impairment & Downward Valuations | | (2,659) | (791) | (2,659) | (791) |
| Carrying amount of non current assets - sold | | (620) | (438) | (620) | (438) |
| Grants applied to the financing of capital expenditure | | 1,316 | 429 | 1,316 | 429 |
| Pension Liability (Contributions to/from Pensions Reserve) | | (80) | (30) | (33,921) | (23,601) |
| Creditors - Change in Balance Sheet | | (1,936) | 1,767 | (1,936) | 1,767 |
| Creditors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets) | | 1,689 | (2,323) | 1,689 | (2,323) |
| Creditors - Adjustment re CC Share of Debtors | | 32 | (86) | 0 | 0 |
| Creditors - Adjustment re Balance of Funding due from PCC to CC | | 767 | (352) | 0 | 0 |
| Debtors - Change in Balance Sheet | | 1,105 | 1,977 | 1,105 | 1,977 |
| Debtors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets) | | 199 | 240 | 199 | 240 |
| Debtors - Change in Balance Sheet (Adjustment for Investment Interest) | | (14) | (9) | (14) | (9) |
| Debtors - Adjustment re CC Share of Creditors | | 126 | (413) | 0 | 0 |
| Debtors - Adjustment re Balance of Funding due from CC to PCC | | 83 | 62 | 0 | 0 |
| Stock - Change in Balance Sheet | | 0 | 0 | (26) | (15) |
| Provisions - Change in Balance Sheet | | 0 | 0 | 870 | (775) |
| Adjustment to net surplus or deficit on the provision of services for non-cash movements | | (4,456) | (4,728) | (38,461) | (28,300) |

Cash Flow Statement – PCC & Group

| Cash Flow Statement (PCC and Group) | | PCC 2015/16 £000s | PCC 2016/17 £000s | Group 2015/16 £000s | Group 2016/17 £000s |
|---|--|-------------------------|-------------------------|---------------------------|---------------------------|
| 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: | | | | | |
| Proceeds from the Sale of Property, Plant & Equipment and Intangibles | | 569 | 377 | 569 | 377 |
| Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | 569 | 377 | 569 | 377 |
| CF3 - The cash flows from <i>Operating Activities</i> include the following items: | | | | | |
| Interest received | | (137) | (111) | (137) | (111) |
| Interest Paid | | 646 | 633 | 646 | 633 |
| CF4 - The cash flows from <i>Investing Activities</i> are made up as follows: | | | | | |
| Purchase of property, plant and equipment and intangible assets | | 7,111 | 5,117 | 7,111 | 5,117 |
| Purchase of short-term and long-term investments | | 64,585 | 45,676 | 64,585 | 45,676 |
| Proceeds from the sale of property, plant and equipment and intangible assets | | (569) | (377) | (569) | (377) |
| Proceeds from short-term and long-term investments | | (62,085) | (50,535) | (62,085) | (50,535) |
| Other receipts from investing activities | | (1,317) | (429) | (1,317) | (429) |
| Net cash flows from investing activities | | 7,725 | (548) | 7,725 | (548) |
| CF5 - The cash flows from <i>Financing Activities</i> are made up as follows: | | | | | |
| Other receipts from financing activities | | (3,000) | 3,000 | (3,000) | 3,000 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | | 98 | 110 | 98 | 110 |
| Net cash flows from financing activities | | (2,902) | 3,110 | (2,902) | 3,110 |
| CF6 - The balance of <i>Cash and Cash Equivalents</i> is made up as follows: | | | | | |
| Bank current accounts | | (20) | (29) | (20) | (29) |
| Short-term deposit with bank (overnight) | | (928) | (2,011) | (928) | (2,011) |
| Investments in Money Market Funds (available on demand) | | (2,355) | (1,004) | (2,355) | (1,004) |
| Total Cash and Cash Equivalents | | (3,303) | (3,044) | (3,303) | (3,044) |

Accounting Policy - 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.

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 2016/17 will be highlighted, whilst the comparatives for 2015/16 (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 98-100. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

1 Accounting Policies

There are a number of accounting policies that determine how items within the accounts are treated. In a change for the 2016/17 statement of accounts, where these accounting policies relate to a particular note to the accounts, the accounting policy will now be shown alongside that note in a grey text box. Where an accounting policy is more generic and applicable across the statement accounts it will continue to be shown in a separate technical annex, **Annex A** (see pages 101-103).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out alongside the relevant note or in Annex A (pages 101 to 103), 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 2017/18 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 £7.6m. 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.

3 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 Joint Chief Finance Officer on **21 July 2017**. Events taking place after this date are not reflected in the financial statements or notes.

Accounting Policy - 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.

4 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 2017 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 2017 the value of property, plant and equipment was £62m.</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. |
| 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 £47m and for the police pension scheme was £1,243m.</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 C) Pension Disclosures (pages 110-121). |
| Provisions | <p>The Chief Constable has made a provision of £484k for the settlement of insurance liabilities for a number of eventualities which are not covered by external insurers. The provision is based on an actuarial estimate but it is not yet certain that all valid claims have yet been received by the Chief Constable.</p> <p>The Chief Constable has made a provision of £851k in relation to the potential cost of legal claims against the Constabulary which are currently ongoing.</p> | <p>An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £48k to the provision needed.</p> <p>An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £85k to the provision needed.</p> |

5 Expenditure and Funding Analysis

This note shows how annual expenditure is used and funded from resources (government grants, council tax precepts) by the Commissioner in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between subjective headings. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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

The figures for the group in 2016/17 are provided in the table below:

| Expenditure and Funding Analysis (Group) | As reported for resource management | Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5) | Group 2016/17 Net Expenditure Chargeable to the Police Fund balance | Adjustments between Funding and Accounting Basis (Note 7) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|-------------------------------------|---|--|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| Cost of Policing & Crime Services | | | | | |
| Police Officer Pay & Allowances | 75,570 | 0 | 75,570 | (13,260) | 62,310 |
| PCSO Pay & Allowances | 2,674 | 0 | 2,674 | (21) | 2,653 |
| Police Staff Pay & Allowances | 20,376 | 0 | 20,376 | 273 | 20,649 |
| Other Employee Budgets | 3,907 | 0 | 3,907 | 0 | 3,907 |
| Premises Related Expenditure | 4,124 | 0 | 4,124 | 0 | 4,124 |
| Transport Related Expenditure | 2,236 | 0 | 2,236 | 0 | 2,236 |
| Supplies & Services Expenditure | 10,193 | 0 | 10,193 | 0 | 10,193 |
| Third Party Related Expenditure | 4,240 | 0 | 4,240 | 0 | 4,240 |
| Technical Accounting Adjustments | 7,964 | (4,762) | 3,202 | 2,352 | 5,554 |
| Income from Fees & Charges | (5,143) | 12 | (5,131) | 0 | (5,131) |
| Grants & Contributions | (21,365) | 0 | (21,365) | 0 | (21,365) |
| Use of Capital Receipts | (8) | 0 | (8) | 8 | 0 |
| Non distributed costs | 417 | 0 | 417 | 0 | 417 |
| Termination Payments | 306 | 0 | 306 | 0 | 306 |
| Net Cost of Services | 105,491 | (4,750) | 100,741 | (10,648) | 90,093 |
| Other Income and Expenditure | (101,082) | 0 | (101,082) | 36,609 | (64,473) |
| (Surplus)/Deficit on the Provision of Services | 4,409 | (4,750) | (341) | 25,961 | 25,620 |
| | | | | | |
| | Police Fund | Earmarked Revenue Reserves | Earmarked Capital Reserves | Total | |
| Opening Police Fund Balance 1 April 2016 | (3,000) | (3,193) | (17,730) | (23,923) | |
| Less Deficit on Police Fund Balance in Year | 0 | (242) | (99) | (341) | |
| Closing Police Fund Balance at 31 March 2017 | (3,000) | (3,435) | (17,829) | (24,264) | |

Notes to the Accounts

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

| Expenditure and Funding Analysis (Group) | As reported for resource management | Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5) | Group 2015/16 Net Expenditure Chargeable to the Police Fund balance | Adjustments between Funding and Accounting Basis (Note 7) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|-------------------------------------|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| Cost of Policing & Crime Services | | | | | |
| Police Officer Pay & Allowances | 75,498 | 0 | 75,498 | (6,610) | 68,888 |
| PCSO Pay & Allowances | 2,630 | 0 | 2,630 | 160 | 2,790 |
| Police Staff Pay & Allowances | 19,067 | 0 | 19,067 | 1,741 | 20,808 |
| Other Employee Budgets | 2,268 | 0 | 2,268 | 0 | 2,268 |
| Premises Related Expenditure | 4,105 | 0 | 4,105 | 0 | 4,105 |
| Transport Related Expenditure | 2,422 | 0 | 2,422 | 0 | 2,422 |
| Supplies & Services Expenditure | 10,473 | 0 | 10,473 | 0 | 10,473 |
| Third Party Related Expenditure | 3,117 | 0 | 3,117 | 0 | 3,117 |
| Technical Accounting Adjustments | 12,487 | (4,464) | 8,023 | (900) | 7,123 |
| Income from Fees & Charges | (4,546) | 12 | (4,534) | 0 | (4,534) |
| Grants & Contributions | (20,253) | 0 | (20,253) | 0 | (20,253) |
| Use of Capital Receipts | (13) | 0 | (13) | 13 | 0 |
| Non distributed costs | 588 | 0 | 588 | 0 | 588 |
| Termination Payments | 1,641 | 0 | 1,641 | 0 | 1,641 |
| Net Cost of Services | 109,484 | (4,452) | 105,032 | (5,596) | 99,436 |
| Other Income and Expenditure | (101,419) | 0 | (101,419) | 38,630 | (62,789) |
| (Surplus)/Deficit on the Provision of Services | 8,065 | (4,452) | 3,613 | 33,034 | 36,647 |
| | | | | | |
| | Police Fund | Earmarked Revenue Reserves | Earmarked Capital Reserves | Total | |
| Opening Police Fund Balance 1 April 2015 | (5,149) | (13,844) | (8,543) | (27,536) | |
| Less Deficit on Police Fund Balance in Year | 2,149 | 10,651 | (9,187) | 3,613 | |
| Closing Police Fund Balance at 31 March 2016 | (3,000) | (3,193) | (17,730) | (23,923) | |

Notes to the Accounts

The figures for the PCC in 2016/17 are provided in the table below:

| Expenditure and Funding Analysis (PCC) | As reported for resource management | Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5) | PCC 2016/17 Net Expenditure Chargeable to the Police Fund balance | Adjustments between Funding and Accounting Basis (Note 7) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|-------------------------------------|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| Cost of Policing & Crime Services | | | | | |
| Police Officer Pay & Allowances | 17,590 | 0 | 17,590 | 0 | 17,590 |
| Police Staff Pay & Allowances | 826 | 0 | 826 | 8 | 834 |
| Other Employee Budgets | 51 | 0 | 51 | 0 | 51 |
| Premises Related Expenditure | (1,150) | 0 | (1,150) | 0 | (1,150) |
| Transport Related Expenditure | (930) | 0 | (930) | 0 | (930) |
| Supplies & Services Expenditure | (658) | 0 | (658) | 0 | (658) |
| Third Party Related Expenditure | 2,986 | 0 | 2,986 | 0 | 2,986 |
| Technical Accounting Adjustments | 7,965 | (4,762) | 3,203 | 2,351 | 5,554 |
| Income from Fees & Charges | (5,143) | 12 | (5,131) | 0 | (5,131) |
| Grants & Contributions | (21,365) | 0 | (21,365) | 0 | (21,365) |
| Use of Capital Receipts | (8) | 0 | (8) | 8 | 0 |
| Funding Provided by PCC to CC | 105,327 | 0 | 105,327 | 0 | 105,327 |
| Net Cost of Services | 105,491 | (4,750) | 100,741 | 2,367 | 103,108 |
| Other Income and Expenditure | (101,082) | 0 | (101,082) | 22 | (101,060) |
| (Surplus)/Deficit on the Provision of Services | 4,409 | (4,750) | (341) | 2,389 | 2,048 |
| | | | | | |
| | Police Fund | Earmarked Revenue Reserves | Earmarked Capital Reserves | Total | |
| Opening Police Fund Balance 1 April 2016 | (3,000) | (3,193) | (17,730) | (23,923) | |
| Less Deficit on Police Fund Balance in Year | 0 | (242) | (99) | (341) | |
| Closing Police Fund Balance at 31 March 2017 | (3,000) | (3,435) | (17,829) | (24,264) | |

Notes to the Accounts

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

| Expenditure and Funding Analysis (PCC) | As reported for resource management | Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5) | PCC 2015/16 Net Expenditure Chargeable to the Police Fund balance | Adjustments between Funding and Accounting Basis (Note 7) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|-------------------------------------|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| Cost of Policing & Crime Services | | | | | |
| Police Officer Pay & Allowances | 18,371 | 0 | 18,371 | 0 | 18,371 |
| PCSO Pay & Allowances | (1) | 0 | (1) | 0 | (1) |
| Police Staff Pay & Allowances | 809 | 0 | 809 | 55 | 864 |
| Other Employee Budgets | 47 | 0 | 47 | 0 | 47 |
| Premises Related Expenditure | (1,037) | 0 | (1,037) | 0 | (1,037) |
| Transport Related Expenditure | (861) | 0 | (861) | 0 | (861) |
| Supplies & Services Expenditure | (1,775) | 0 | (1,775) | 0 | (1,775) |
| Third Party Related Expenditure | 1,983 | 0 | 1,983 | 0 | 1,983 |
| Technical Accounting Adjustments | 12,651 | (4,464) | 8,187 | (1,064) | 7,123 |
| Income from Fees & Charges | (4,546) | 12 | (4,534) | 0 | (4,534) |
| Grants & Contributions | (20,253) | 0 | (20,253) | 0 | (20,253) |
| Use of Capital Receipts | (13) | 0 | (13) | 13 | 0 |
| Funding Provided by PCC to CC | 104,109 | 0 | 104,109 | 0 | 104,109 |
| Net Cost of Services | 109,484 | (4,452) | 105,032 | (996) | 104,036 |
| Other Income and Expenditure | (101,419) | 0 | (101,419) | 25 | (101,394) |
| (Surplus)/Deficit on the Provision of Services | 8,065 | (4,452) | 3,613 | (971) | 2,642 |
| | | | | | |
| | Police Fund | Earmarked Revenue Reserves | Earmarked Capital Reserves | Total | |
| Opening Police Fund Balance 1 April 2015 | (5,149) | (13,844) | (8,543) | (27,536) | |
| Less Deficit on Police Fund Balance in Year | 2,149 | 10,651 | (9,187) | 3,613 | |
| Closing Police Fund Balance at 31 March 2016 | (3,000) | (3,193) | (17,730) | (23,923) | |

5.a Note to the Expenditure Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the Police Fund (as detailed in note 6) to arrive at the amounts in the Comprehensive Income and Expenditure Statement (pages 30-31). The relevant transfers between reserves are explained in the Movement in Reserves Statement (pages 32-33).

The figures for the Group for 2016/17 are set out in the table below:

| Note to the Expenditure and Funding Analysis (Group) | Group 2016/17 | | | | | | |
|---|----------------|---------------|--|---|--|-------------------------------|---|
| | Depreciation | Rental Income | Total to arrive at amount charged to the Police Fund | Adjustment for capital purposes (See below) | Net change for the Pensions Adjustment (See below) | Other Differences (See below) | Total Adjustment Between funding and accounting basis |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Cost of Policing & Crime Services | | | | | | | |
| Police Officer Pay & Allowances | 0 | 0 | 0 | 0 | (13,260) | 0 | (13,260) |
| PCSO Pay & Allowances | 0 | 0 | 0 | 0 | (21) | 0 | (21) |
| Police Staff Pay & Allowances | 0 | 0 | 0 | 0 | 273 | 0 | 273 |
| Technical Accounting Adjustments | (4,761) | 0 | (4,761) | 2,333 | 0 | 19 | 2,352 |
| Income from Fees & Charges | 0 | 12 | 12 | 0 | 0 | 0 | 0 |
| Use of Capital Receipts | 0 | 0 | 0 | 0 | 0 | 8 | 8 |
| Net Cost of Services | (4,761) | 12 | (4,749) | 2,333 | (13,008) | 27 | (10,648) |
| Other Income and Expenditure | 0 | 0 | 0 | 0 | 36,609 | 0 | 36,609 |
| (Surplus)/Deficit on the Provision of Services | (4,761) | 12 | (4,749) | 2,333 | 23,601 | 27 | 25,961 |
| Further Analysis of Adjustments | | | | | | | |
| Depreciation/Amortisation | | | | 4,761 | 0 | 0 | 4,761 |
| Minimum Revenue Provision (MRP) | | | | (413) | 0 | 0 | (413) |
| Revaluations | | | | 791 | 0 | 0 | 791 |
| Direct Revenue Contribution | | | | (2,439) | 0 | 0 | (2,439) |
| Capital Grant Reversal | | | | (429) | 0 | 0 | (429) |
| Pofit & Loss on Sale of FA | | | | 62 | 0 | 0 | 62 |
| Police Pensions - Interest on Liabilities | | | | 0 | 35,710 | 0 | 35,710 |
| Police Pensions - Reverse Employer Contributions | | | | 0 | (27,860) | 0 | (27,860) |
| Police Pensions - Current Service Cost | | | | 0 | 14,600 | 0 | 14,600 |
| LGPS - Interest on Liabilities | | | | 0 | 4,837 | 0 | 4,837 |
| LGPS - Return on Plan Assets | | | | 0 | (3,938) | 0 | (3,938) |
| LGPS - Curtailment/Settlement | | | | 0 | 417 | 0 | 417 |
| LGPS - Reverse Employer Contributions | | | | 0 | (3,974) | 0 | (3,974) |
| LGPS - Current Service Cost | | | | 0 | 3,809 | 0 | 3,809 |
| Use of Capital Receipts | | | | 0 | 0 | 8 | 8 |
| Collection Fund Adjustment | | | | 0 | 0 | 20 | 20 |
| Accumulated Absences Account Adj | | | | 0 | 0 | (1) | (1) |
| Total Adjustments | | | | 2,333 | 23,601 | 27 | 25,961 |

Notes to the Accounts

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

| Note to the Expenditure and Funding Analysis (Group) | Group 2015/16 | | | | | | |
|---|----------------|------------------|---|--|--|-------------------------------------|---|
| | Depreciation | Rental Income | Total to arrive at amount charged to the Police Fund | Adjustment for capital purposes (See below) | Net change for the Pensions Adjustment (See below) | Other Differences (See below) | Total Adjustment Between funding and accounting basis |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Cost of Policing & Crime Services | | | | | | | |
| Police Officer Pay & Allowances | 0 | 0 | 0 | 0 | (6,610) | 0 | (6,610) |
| PCSO Pay & Allowances | 0 | 0 | 0 | 0 | 160 | 0 | 160 |
| Police Staff Pay & Allowances | 0 | 0 | 0 | 0 | 1,741 | 0 | 1,741 |
| Technical Accounting Adjustments | (4,464) | 0 | (4,464) | (897) | 0 | (3) | (900) |
| Income from Fees & Charges | 0 | 12 | 12 | 0 | 0 | 0 | 0 |
| Use of Capital Receipts | 0 | 0 | 0 | 0 | 0 | 13 | 13 |
| Net Cost of Services | (4,464) | 12 | (4,452) | (897) | (4,709) | 10 | (5,596) |
| Other Income and Expenditure | 0 | 0 | 0 | 0 | 38,630 | 0 | 38,630 |
| (Surplus)/Deficit on the Provision of Services | (4,464) | 12 | (4,452) | (897) | 33,921 | 10 | 33,034 |
| Further Analysis of Adjustments | | | | | | | |
| Depreciation/Amortisation | | | | 4,464 | 0 | 0 | 4,464 |
| Minimum Revenue Provision (MRP) | | | | (367) | 0 | 0 | (367) |
| Revaluations | | | | 2,659 | 0 | 0 | 2,659 |
| Direct Revenue Contribution | | | | (6,388) | 0 | 0 | (6,388) |
| Capital Grant Reversal | | | | (1,316) | 0 | 0 | (1,316) |
| Profit & Loss on Sale of FA | | | | 51 | 0 | 0 | 51 |
| Police Pensions - Interest on Liabilities | | | | 0 | 37,590 | 0 | 37,590 |
| Police Pensions - Reverse Employer Contributions | | | | 0 | (26,100) | 0 | (26,100) |
| Police Pensions - Current Service Cost | | | | 0 | 19,490 | 0 | 19,490 |
| LGPS - Interest on Liabilities | | | | 0 | 4,655 | 0 | 4,655 |
| LGPS - Return on Plan Assets | | | | 0 | (3,615) | 0 | (3,615) |
| LGPS - Curtailment/Settlement | | | | 0 | 588 | 0 | 588 |
| LGPS - Reverse Employer Contributions | | | | 0 | (3,113) | 0 | (3,113) |
| LGPS - Current Service Cost | | | | 0 | 4,426 | 0 | 4,426 |
| Use of Capital Receipts | | | | 0 | 0 | 13 | 13 |
| Collection Fund Adjustment | | | | 0 | 0 | (157) | (157) |
| Accumulated Absences Account Adj | | | | 0 | 0 | 154 | 154 |
| Total Adjustments | | | | (897) | 33,921 | 10 | 33,034 |

Notes to the Accounts

The figures for the PCC for 2016/17 are set out in the table below:

| Note to the Expenditure and Funding Analysis (PCC) | Depreciation | Rental Income | Total to arrive at amount charged to the Police Fund | PCC 2016/17 Adjustment for capital purposes (See below) | Net change for the Pensions Adjustment (See below) | Other Differences (See below) | Total Adjustment Between funding and accounting basis |
|---|----------------|------------------|---|---|--|-------------------------------------|---|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Cost of Policing & Crime Services | | | | | | | |
| Police Staff Pay & Allowances | 0 | 0 | 0 | 0 | 8 | 0 | 8 |
| Technical Accounting Adjustments | (4,761) | 0 | (4,761) | 2,333 | 0 | 18 | 2,351 |
| Income from Fees & Charges | 0 | 12 | 12 | 0 | 0 | 0 | 0 |
| Use of Capital Receipts | 0 | 0 | 0 | 0 | 0 | 8 | 8 |
| Net Cost of Services | (4,761) | 12 | (4,749) | 2,333 | 8 | 26 | 2,367 |
| Other Income and Expenditure | 0 | 0 | 0 | 0 | 22 | 0 | 22 |
| (Surplus)/Deficit on the Provision of Services | (4,761) | 12 | (4,749) | 2,333 | 30 | 26 | 2,389 |
| Further Analysis of Adjustments | | | | | | | |
| Depreciation/Amortisation | | | | 4,761 | 0 | 0 | 4,761 |
| Minimum Revenue Provision (MRP) | | | | (413) | 0 | 0 | (413) |
| Revaluations | | | | 791 | 0 | 0 | 791 |
| Direct Revenue Contribution | | | | (2,439) | 0 | 0 | (2,439) |
| Capital Grant Reversal | | | | (429) | 0 | 0 | (429) |
| Profit & Loss on Sale of FA | | | | 62 | 0 | 0 | 62 |
| LGPS - Interest on Liabilities | | | | 0 | 117 | 0 | 117 |
| LGPS - Return on Plan Assets | | | | 0 | (95) | 0 | (95) |
| LGPS - Curtailment/Settlement | | | | 0 | 0 | 0 | 0 |
| LGPS - Reverse Employer Contributions | | | | 0 | (118) | 0 | (118) |
| LGPS - Current Service Cost | | | | 0 | 126 | 0 | 126 |
| Use of Capital Receipts | | | | 0 | 0 | 8 | 8 |
| Collection Fund Adjustment | | | | 0 | 0 | 19 | 19 |
| Accumulated Absences Account Adj | | | | 0 | 0 | (1) | (1) |
| Total Adjustments | | | | 2,333 | 30 | 26 | 2,389 |

Notes to the Accounts

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

| Note to the Expenditure and Funding Analysis (PCC) | Depreciation | Rental Income | Total to arrive at amount charged to the Police Fund | PCC 2015/16 Adjustment for capital purposes (See below) | Net change for the Pensions Adjustment (See below) | Other Differences (See below) | Total Adjustment Between funding and accounting basis |
|---|----------------|------------------|---|---|--|-------------------------------------|---|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Cost of Policing & Crime Services | | | | | | | |
| Police Staff Pay & Allowances | 0 | 0 | 0 | 0 | 55 | 0 | 55 |
| Technical Accounting Adjustments | (4,464) | 0 | (4,464) | (897) | 0 | (167) | (1,064) |
| Income from Fees & Charges | 0 | 12 | 12 | 0 | 0 | 0 | 0 |
| Use of Capital Receipts | 0 | 0 | 0 | 0 | 0 | 13 | 13 |
| Net Cost of Services | (4,464) | 12 | (4,452) | (897) | 55 | (154) | (996) |
| Other Income and Expenditure | 0 | 0 | 0 | 0 | 25 | 0 | 25 |
| (Surplus)/Deficit on the Provision of Services | (4,464) | 12 | (4,452) | (897) | 80 | (154) | (971) |
| Further Analysis of Adjustments | | | | | | | |
| Depreciation/Amortisation | | | | 4,464 | 0 | 0 | 4,464 |
| Minimum Revenue Provision (MRP) | | | | (367) | 0 | 0 | (367) |
| Revaluations | | | | 2,659 | 0 | 0 | 2,659 |
| Direct Revenue Contribution | | | | (6,388) | 0 | 0 | (6,388) |
| Capital Grant Reversal | | | | (1,316) | 0 | 0 | (1,316) |
| Profit & Loss on Sale of FA | | | | 51 | 0 | 0 | 51 |
| LGPS - Interest on Liabilities | | | | 0 | 108 | 0 | 108 |
| LGPS - Return on Plan Assets | | | | 0 | (83) | 0 | (83) |
| LGPS - Reverse Employer Contributions | | | | 0 | (71) | 0 | (71) |
| LGPS - Current Service Cost | | | | 0 | 126 | 0 | 126 |
| Use of Capital Receipts | | | | 0 | 0 | 13 | 13 |
| Collection Fund Adjustment | | | | 0 | 0 | (157) | (157) |
| Accumulated Absences Account Adj | | | | 0 | 0 | (10) | (10) |
| Total Adjustments | | | | (897) | 80 | (154) | (971) |

6 Expenditure and Income Analysed by Nature

This note provides an analysis of the expenditure and income by the nature of that spend/income. The analysis is a revised presentation for 2016/17 and replaces what was previously reported in the “subjective analysis” included as part of the technical annex in previous versions of the Statement of Accounts.

| Expenditure and Income | PCC 2015/16 £000s | PCC 2016/17 £000s | Group 2015/16 £000s | Group 2016/17 £000s |
|---|-------------------------|-------------------------|---------------------------|---------------------------|
| Expenditure | | | | |
| Police Pay & Allowances | 18,371 | 17,590 | 75,498 | 75,570 |
| PCSO Pay & Allowances | 0 | 0 | 2,631 | 2,674 |
| Police Staff Pay & Allowances | 809 | 826 | 19,067 | 20,376 |
| Other Employee Costs | 47 | 51 | 2,268 | 3,907 |
| Premises Related Costs | (1,037) | (1,150) | 4,105 | 4,124 |
| Transport Related Costs | (861) | (930) | 2,422 | 2,236 |
| Supplies & Services | (1,775) | (658) | 10,473 | 10,193 |
| Third Party Payments | 1,983 | 2,987 | 3,117 | 4,241 |
| External Interest | 646 | 633 | 646 | 633 |
| (Gain)/Loss on the Disposal of Assets | (47) | 21 | (47) | 21 |
| Technical Accounting Adjustments | 8,030 | 3,222 | 7,866 | 3,221 |
| Non Distributed Costs | 0 | 0 | 588 | 417 |
| Termination Payments | 0 | 0 | 1,641 | 306 |
| Funding Between PCC & CC | 104,109 | 105,327 | 0 | 0 |
| Total Expenditure | 130,275 | 127,919 | 130,275 | 127,919 |
| Income | | | | |
| Income from Fees & Charges | (4,535) | (5,131) | (4,535) | (5,131) |
| | (12) | (12) | (12) | (12) |
| Income from Grant & Contributions | (1,881) | (3,775) | (1,881) | (3,775) |
| Interest & Investment Income | (124) | (102) | (124) | (102) |
| PFI Grant | (688) | (688) | (688) | (688) |
| Pensions Top Up grant (Home Office) | (18,371) | (17,590) | (18,371) | (17,590) |
| Total Income | (25,611) | (27,298) | (25,611) | (27,298) |
| Use of Reserves | | | | |
| Transfer to/(from) Earmarked Reserves (Revenue) | (10,651) | 242 | (10,651) | 242 |
| Transfer to/(from) Earmarked Reserves (Capital) | 9,187 | 99 | 9,187 | 99 |
| | (1,464) | 341 | (1,464) | 341 |
| External Financing | | | | |
| Income from Council Tax | (35,143) | (36,113) | (35,143) | (36,113) |
| Collection Fund Adjustment | 156 | (19) | 156 | (19) |
| General Government Grants | | | | |
| - Home Office Police Grant | (28,886) | (28,721) | (28,886) | (28,721) |
| - Home Office Capital Grant & Other Capital Grants | (1,316) | (429) | (1,316) | (429) |
| - Council Tax Grants (Freeze & Support) | (4,850) | (4,850) | (4,850) | (4,850) |
| Formula Funding | (30,999) | (30,822) | (30,999) | (30,822) |
| Total | (101,038) | (100,954) | (101,038) | (100,954) |
| (Surplus)/Deficit on the Provision of Services | 2,162 | 8 | 2,162 | 8 |

7 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 2016/17 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 |
|--|-----------------|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|
| Adjustments to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | |
| - Pensions costs (transferred to (or from) the Pensions Reserve) | 20e/ Annex C | 23,601 | 0 | 0 | 23,601 |
| - Council tax (transfers to or from Collection Fund) | 20c/29 | 19 | 0 | 0 | 19 |
| - Holiday Pay (transfers to or from Accumulated Absences Account) | 20d | 0 | 1 | 0 | 1 |
| - Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 9 | 5,562 | 0 | 429 | 5,991 |
| Total Adjustments to the Revenue Resources | | 29,182 | 1 | 429 | 29,612 |
| Adjustments between Revenue and Capital Resources | | | | | |
| - Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 9e | (377) | 377 | 0 | 0 |
| - Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve) | 9e | 8 | (8) | 0 | 0 |
| - Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account) | 33 | (413) | 0 | 0 | (413) |
| - Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 31a | (2,439) | 0 | 0 | (2,439) |
| Total Adjustments between Revenue and Capital Resources | | (3,221) | 369 | 0 | (2,852) |
| Adjustments to Capital Resources | | | | | |
| - Use of the Capital Receipts Reserve to finance capital expenditure | 31a | 0 | 0 | 0 | 0 |
| - Application of capital grants to finance capital expenditure | 20b | 0 | 0 | (454) | (454) |
| Total Adjustments to Capital Resources | | 0 | 0 | (454) | (454) |
| Total Adjustments | | 25,961 | 370 | (25) | 26,306 |

The comparative 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 |
|--|-----------------|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|
| Adjustments to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | |
| - Pensions costs (transferred to (or from) the Pensions Reserve) | 20e/ Annex C | 33,921 | 0 | 0 | 33,921 |
| - Council tax (transfers to or from Collection Fund) | 20c/29 | (156) | 0 | 0 | (156) |
| - Holiday Pay (transfers to or from Accumulated Absences Account) | 20d | 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) | 9 | 6,426 | 0 | 1,317 | 7,743 |
| Total Adjustments to the Revenue Resources | | 40,345 | 0 | 1,317 | 41,662 |
| Adjustments between Revenue and Capital Resources | | | | | |
| - Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 9e | (569) | 569 | 0 | 0 |
| - Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve) | 9e | 13 | (13) | 0 | 0 |
| - Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account) | 33 | (367) | 0 | 0 | (367) |
| - Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 31a | (6,388) | 0 | 0 | (6,388) |
| Total Adjustments between Revenue and Capital Resources | | (7,311) | 556 | 0 | (6,755) |
| Adjustments to Capital Resources | | | | | |
| - Use of the Capital Receipts Reserve to finance capital expenditure | 31a | 0 | 0 | 0 | 0 |
| - Application of capital grants to finance capital expenditure | 20b | 0 | 0 | (607) | (607) |
| Total Adjustments to Capital Resources | | 0 | 0 | (607) | (607) |
| Total Adjustments | | 33,034 | 556 | 710 | 34,300 |

Notes to the Accounts

The figures for the PCC for 2016/17 are set out in the table below:

| Adjustments between Accounting Basis and Funding Basis Under Regulations | Note | PCC Police Fund Balance £000s | PCC Capital Receipts Reserve £000s | PCC Capital Grants Unapplied £000s | PCC Total Usable Reserves £000s |
|--|---------------------|--------------------------------------|---|---|--|
| Adjustments to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | |
| - Pensions costs (transferred to (or from) the Pensions Reserve) | 20e/ Annex C | 30 | 0 | 0 | 30 |
| - Council tax (transfers to or from Collection Fund) | 20c/29 | 19 | 0 | 0 | 19 |
| - Holiday Pay (transfers to or from Accumulated Absences Account) | 20d | | 0 | 0 | 0 |
| - Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 9 | 5,562 | 0 | 429 | 5,991 |
| Total Adjustments to the Revenue Resources | | 5,611 | 0 | 429 | 6,040 |
| Adjustments between Revenue and Capital Resources | | | | | |
| - Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 9e | (377) | 377 | 0 | 0 |
| - Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve) | 9e | 7 | (7) | 0 | 0 |
| - Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account) | 33 | (413) | 0 | 0 | (413) |
| - Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 31a | (2,439) | 0 | 0 | (2,439) |
| Total Adjustments between Revenue and Capital Resources | | (3,222) | 370 | 0 | (2,852) |
| Adjustments to Capital Resources | | | | | |
| - Use of the Capital Receipts Reserve to finance capital expenditure | 31a | 0 | 0 | 0 | 0 |
| - Application of capital grants to finance capital expenditure | 20b | 0 | 0 | (454) | (454) |
| Total Adjustments to Capital Resources | | 0 | 0 | (454) | (454) |
| Total Adjustments | | 2,389 | 370 | (25) | 2,734 |

Notes to the Accounts

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

| Adjustments between Accounting Basis and Funding Basis Under Regulations | Note | PCC Police Fund Balance £000s | PCC Capital Receipts Reserve £000s | PCC Capital Grants Unapplied £000s | PCC Total Usable Reserves £000s |
|--|---------------------|--------------------------------------|---|---|--|
| Adjustments to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | |
| - Pensions costs (transferred to (or from) the Pensions Reserve) | 20e/ Annex C | 80 | 0 | 0 | 80 |
| - Council tax (transfers to or from Collection Fund) | 20c/29 | (156) | 0 | 0 | (156) |
| - Holiday Pay (transfers to or from Accumulated Absences Account) | 20d | (10) | 0 | 0 | (10) |
| - Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 9 | 6,426 | 0 | 1,317 | 7,743 |
| Total Adjustments to the Revenue Resources | | 6,340 | 0 | 1,317 | 7,657 |
| Adjustments between Revenue and Capital Resources | | | | | |
| - Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 9e | (569) | 569 | 0 | 0 |
| - Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve) | 9e | 13 | (13) | 0 | 0 |
| - Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account) | 33 | (367) | 0 | 0 | (367) |
| - Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 31a | (6,388) | 0 | 0 | (6,388) |
| Total Adjustments between Revenue and Capital Resources | | (7,311) | 556 | 0 | (6,755) |
| Adjustments to Capital Resources | | | | | |
| - Use of the Capital Receipts Reserve to finance capital expenditure | 31a | 0 | 0 | 0 | 0 |
| - Application of capital grants to finance capital expenditure | 20b | 0 | 0 | (607) | (607) |
| Total Adjustments to Capital Resources | | 0 | 0 | (607) | (607) |
| Total Adjustments | | (971) | 556 | 710 | 295 |

8 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 2016/17 (and comparatives for 2015/16).

| Earmarked Reserves | | PCC/Group 2015/16 £000s | PCC/Group 2016/17 £000s | Description/Purpose |
|--|---------|-------------------------------|---|---------------------|
| Insurance Reserve | | | | |
| Balance at Start of Year | 522 | 587 | To offset any insurance claims not specifically detailed in the insurance provision. | |
| Transfer to Reserve in Year | 91 | 191 | | |
| Transfer from Reserve in Year | (26) | (40) | | |
| Balance at End of Year | 587 | 738 | | |
| Commissioned Services Reserve | | | | |
| Balance at Start of Year | 0 | 0 | To provide resources for future expenditure on exisiting commitments under PCC commissioned services. | |
| Transfer to Reserve in Year | 0 | 419 | | |
| Transfer from Reserve in Year | 0 | 0 | | |
| Transfers Between Reserves | 0 | 0 | | |
| Balance at End of Year | 0 | 419 | | |
| Motor Claim Reserve | | | | |
| Balance at Start of Year | 0 | 0 | To provide resources to assist in funding unexpected 3rd party motor claims, if necessary. Under a new arrangement following the insurance tender process in 2016 the saving on the motor insurance renewal has been reserved to manage the fluctuations of this new arrangement. | |
| Transfer to Reserve in Year | 0 | 19 | | |
| Transfer from Reserve in Year | 0 | 0 | | |
| Transfers Between Reserves | 0 | 0 | | |
| Balance at End of Year | 0 | 19 | | |
| Management of Change | | | | |
| Balance at Start of Year | 1,683 | 0 | 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 | 0 | 0 | | |
| Transfer from Reserve in Year | (600) | 0 | | |
| Transfers Between Reserves | (1,083) | 0 | | |
| Balance at End of Year | 0 | 0 | | |
| Chief Constable's Operational Reserve | | | | |
| 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 | (106) | | |
| Balance at End of Year | 250 | 144 | | |
| Chief Constable's Contingency | | | | |
| Balance at Start of Year | 500 | 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 | 0 | 0 | | |
| Transfer from Reserve in Year | 0 | (500) | | |
| Balance at End of Year | 500 | 0 | | |
| PFI Reserve & Lifecycle Replacement | | | | |
| Balance at Start of Year | 1,863 | 313 | 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 | 56 | 0 | | |
| Transfer from Reserve in Year | (46) | (4) | | |
| Transfers Between Reserves | (1,560) | 0 | | |
| Balance at End of Year | 313 | 309 | | |
| Police and Crime Commissioner Operational Contingency | | | | |
| 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 | | |

Transfers to/from Earmarked Reserves (Continued)

| Earmarked Reserves | | PCC/Group 2015/16 £000s | PCC/Group 2016/17 £000s | Description/Purpose |
|---|----------|-------------------------------|-------------------------------|--|
| Police and Crime Commissioner Transition | | | | |
| Balance at Start of Year | 50 | 0 | 0 | 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 | 0 | |
| Transfer from Reserve in Year | 0 | 0 | 0 | |
| Transfers Between Reserves | (50) | 0 | 0 | |
| Balance at End of Year | 0 | 0 | 0 | |
| Formula Funding/Autumn Statement Risk | | | | |
| Balance at Start of Year | 200 | 0 | 0 | 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 | 383 | 0 | 0 | |
| Transfer from Reserve in Year | 0 | 0 | 0 | |
| Transfers Between Reserves | (583) | 0 | 0 | |
| Balance at End of Year | 0 | 0 | 0 | |
| Investment Fund | | | | |
| Balance at Start of Year | 5,707 | 219 | 219 | 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 | 2,606 | 1,343 | 1,343 | |
| Transfer from Reserve in Year | (1,573) | (2,056) | (2,056) | |
| Transfers Between Reserves | (6,521) | 1,478 | 1,478 | |
| Balance at End of Year | 219 | 984 | 984 | |
| Short Term Project Reserves | | | | |
| Balance at Start of Year | 2,819 | 1,074 | 1,074 | 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 | 676 | 201 | 201 | |
| Transfer from Reserve in Year | (868) | (704) | (704) | |
| Transfers Between Reserves | (1,553) | 0 | 0 | |
| Balance at End of Year | 1,074 | 571 | 571 | |
| Total Revenue Reserves | | | | |
| Balance at Start of Year | 13,844 | 3,193 | 3,193 | Total of all reserves earmarked for revenue purposes (as set out above). |
| Transfer to Reserve in Year | 3,812 | 2,174 | 2,174 | |
| Transfer from Reserve in Year | (3,113) | (3,410) | (3,410) | |
| Transfers Between Reserves | (11,350) | 1,478 | 1,478 | |
| Balance at End of Year | 3,193 | 3,435 | 3,435 | |
| Capital Reserves | | | | |
| Balance at Start of Year | 8,543 | 17,730 | 17,730 | 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 | 0 | 3,473 | 3,473 | |
| Transfer from Reserve in Year | (4,312) | (1,896) | (1,896) | |
| Transfers Between Reserves | 13,499 | (1,478) | (1,478) | |
| Balance at End of Year | 17,730 | 17,829 | 17,829 | |

9 Property, Plant and Equipment

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

| Property, Plant and Equipment | Land and Buildings £000s | Vehicles £000s | PCC/Group | | Assets Under Construction £000s | Total Property, Plant & Equipment £000s | PFI Assets Included in P.P.E. £000s |
|--|-----------------------------|-------------------|----------------------------|--------------------------------------|------------------------------------|--|--|
| | | | IT and Technology £000s | Furniture Equipment & Plant £000s | | | |
| Cost or Valuation | | | | | | | |
| At 1 April 2016 | 53,908 | 8,724 | 18,357 | 4,458 | 199 | 85,646 | 7,014 |
| Additions | 0 | 353 | 1,591 | 181 | 626 | 2,751 | 0 |
| Additions from Assets under construction | 818 | 0 | 0 | 0 | (818) | 0 | 0 |
| Enhancements | 185 | 0 | 0 | 0 | 0 | 185 | 0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (154) | 0 | 0 | 0 | 0 | (154) | 858 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (402) | 0 | 0 | 0 | 0 | (402) | 45 |
| Derecognition - Disposals | (250) | (437) | (114) | 0 | 0 | (801) | 0 |
| Derecognition - Other | (499) | 0 | 0 | 0 | 0 | (499) | 0 |
| Assets reclassified (to)/from Investment Property | (10) | 0 | 0 | 0 | 0 | (10) | 0 |
| At 31 March 2017 | 53,596 | 8,640 | 19,834 | 4,639 | 7 | 86,716 | 7,917 |
| Accumulated Depreciation & Impairment | | | | | | | |
| At 1 April 2016 | (1,810) | (5,836) | (11,490) | (2,756) | 0 | (21,892) | (250) |
| Depreciation Charge | (1,253) | (974) | (2,044) | (371) | 0 | (4,642) | (153) |
| Derecognition - Disposals | 11 | 437 | 114 | 0 | 0 | 562 | 0 |
| Depreciation written out to the Revaluation Reserve | 1,361 | 0 | 0 | 0 | 0 | 1,361 | 271 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 295 | 0 | 0 | 0 | 0 | 295 | |
| Impairment written out to the Surplus/Deficit on the Provision of Services | (185) | 0 | 0 | 0 | 0 | (185) | (185) |
| Depreciation as at 31 March 2017 | (1,581) | (6,373) | (13,420) | (3,127) | 0 | (24,501) | (317) |
| Net Book Value | | | | | | | |
| At 31 March 2017 | 52,015 | 2,267 | 6,414 | 1,512 | 7 | 62,215 | 7,600 |
| At 31 March 2016 | 52,098 | 2,888 | 6,867 | 1,702 | 199 | 63,754 | 6,764 |



South Cumbria Territorial Policing Area HQ in Barrow

Notes to the Accounts

The comparative figures for 2015/16 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 |
| Cost or Valuation | | | | | | | |
| 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 asset 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 |
| At 31 March 2016 | 53,908 | 8,724 | 18,357 | 4,458 | 199 | 85,646 | 7,014 |
| Accumulated Depreciation & Impairment | | | | | | | |
| 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 |
| Depreciation as at 31 March 2016 | (1,810) | (5,836) | (11,490) | (2,756) | 0 | (21,892) | (250) |
| Net Book Value | | | | | | | |
| At 31 March 2016 | 52,098 | 2,888 | 6,867 | 1,702 | 199 | 63,754 | 6,764 |
| At 31 March 2015 | 49,936 | 3,224 | 5,301 | 1,195 | 4,573 | 64,229 | 7,427 |

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



Accounting Policy - 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.

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.

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.

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.

Measurement (continued)

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.

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:

- 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 component accounting section 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.

Component Accounting

Under the IFRS based code, separate recognition, [depreciation](#) and de-recognition 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. 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.

9.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, Carigiet Cowen, Telford House, Riverside, Warwick Road, Carlisle CA1 2BT 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 accounting policies. 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 | 0 | 8,640 | 19,834 | 4,234 | 7 | 32,715 |
| Valued at Current Value as at: | | | | | | |
| - 31 March 2017 | 24,586 | 0 | 0 | 176 | 0 | 24,762 |
| - 31 March 2016 | 21,692 | 0 | 0 | 229 | 0 | 21,921 |
| - 31 March 2015 | 7,318 | 0 | 0 | 0 | 0 | 7,318 |
| Total Cost or Valuation | 53,596 | 8,640 | 19,834 | 4,639 | 7 | 86,716 |

Accounting Policy - Valuations

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.

Accounting Policy – Valuations 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. For property valuations the only material estimation techniques used is as follows:

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.

9.b Impairment Review

The Commissioner's professional valuer, Mr. C. Smith BSc MRICS, Carigiet Cowen, Telford House, Riverside, Warwick Road, Carlisle CA1 2BT, 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. In the 2015/16 impairment review, the valuer 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 remained outstanding, these impairments have now been reversed as all the work has been completed. The valuer at that time also impaired the Workington premises on a permanent basis reflecting an increase in the perceived risk of future flooding, this impairment has now been incorporated into the 2016/17 revaluation of that premises.

Accounting Policy - 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.

9.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 2017 is set out below:

| Property, Plant and Equipment in Ownership of PCC | | PCC/Group As at 31 March | |
|--|--|-----------------------------|----------------|
| | | 2016 Number | 2017 Number |
| HQ, TPA HQ & Larger Police Stations | | 9 | 9 |
| Other Police Stations | | 10 | 9 |
| Police Houses and other Properties | | 13 | 12 |
| Surplus Properties/ Held for Sale/ Investment Properties | | 4 | 4 |
| Vehicles | | 353 | 348 |
| | | | |

9.d Effects of Changes in Estimates

There have been no material changes in estimates in the 2016/17 accounts.

9.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 2017.

| Gain/Loss on Sale of Property, Plant and Equipment | Net Book Value £000s | PCC/Group | | (Gain) / Loss 2016/17 £000s |
|---|----------------------------|------------------------|------------------------------|-----------------------------------|
| | | Costs of Sale £000s | Proceeds of Sale £000s | |
| Land and Buildings | 437 | 8 | (367) | 78 |
| Vehicles | 0 | 6 | (63) | (57) |
| ICT Equipment | 0 | 0 | 0 | 0 |
| Total | 437 | 14 | (430) | 21 |

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

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

Note in 2016/17 £53k (£130k in 2015/16) 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 7 show £377k (£569k in 2015/16) rather than £430k (£699k in 2015/16) as above.

Accounting Policy - 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.

10 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 2016/17 with comparative information for 2015/16.

| Assets Held for Sale | PCC/Group As at 31 March | |
|---|-----------------------------|---------------|
| | 2016 £000s | 2017 £000s |
| Balance outstanding at start of year | 796 | 1,744 |
| Newly classified as held for sale | 3,496 | 0 |
| Revaluation gains/(losses) | (1,950) | 0 |
| Reversal of Impairment losses | 0 | 0 |
| Assets sold | (598) | (198) |
| De-classified as held for sale | 0 | 0 |
| Balance outstanding at end of year | 1,744 | 1,546 |

*At 31 March 2017 a total of 2 properties were classified as **held for sale**: Barrow Police Station, and Ulverston Police Station.*

Accounting Policy - 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 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.

11 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 2017 (with comparatives for 2015/16) is set out in the table below:

| Intangible Assets | PCC/Group | |
|---|------------------|------------------|
| | 2015/16 £000s | 2016/17 £000s |
| Balance at start of year | | |
| - Gross carrying amount | 5,166 | 3,220 |
| - Accumulated amortisation | (4,680) | (2,864) |
| Net carrying amount at start of year | 486 | 356 |
| Reclassification Adjustment | 0 | 0 |
| Additions | 97 | 98 |
| Disposals | (2,043) | 0 |
| Amortisations for the period | (227) | (120) |
| Amortisation adjustment re disposals | 2,043 | 0 |
| Net carrying amount at end of year | 356 | 334 |
| Comprising | | |
| - Gross carrying amount | 3,220 | 3,318 |
| - Accumulated amortisation | (2,864) | (2,984) |
| | 356 | 334 |

***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.*

Accounting Policy - Intangible Assets

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.

12 Private Finance Initiative (PFI)

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.

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.

The former Police Authority entered an agreement for the construction and subsequent servicing of the building 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 amount paid to the PFI operator each year (known as the unitary charge payment) is now split into four elements in the accounts as follows:

- Service Charges – the fair value of the services received during the year which are 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). However, a corresponding increase in the minimum revenue provision is made in accordance with the Commissioner's minimum revenue provision policy.
- 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.

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

12.a Movement on Fixed Assets

The value and movement in value of the asset held under the PFI agreement is analysed in note 9 above.

12.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 | |
|----------------------------------|-----------------------------|----------------|
| | 2016 £000s | 2017 £000s |
| Balance at the start of the year | (5,220) | (5,122) |
| Repayments made during year | 98 | 110 |
| Balance at the end of the year | (5,122) | (5,012) |
| Split of liability | | |
| Current Liability | (110) | (125) |
| Long Term Liability | (5,012) | (4,887) |
| | (5,122) | (5,012) |

12.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 | | | Total £000s |
|---------------------------------|------------------------------------|-------------------------------|---------------------------|----------------|
| | Repayment of Liability £000s | Interest Payments £000s | Service Costs £000s | |
| Repayable within one year | 125 | 619 | 516 | 1,260 |
| Between two and five years | 690 | 2,287 | 2,239 | 5,216 |
| Between six and ten years | 4,197 | 1,999 | 2,765 | 8,961 |
| | 5,012 | 4,905 | 5,520 | 15,437 |

The repayment of liability figures include a sum of £2,910k between 6 and 10 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 38) for further explanation.

Accounting Policy - 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.

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.

13 Leases

13.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

13.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 | |
|---|-----------------------------|---------------|
| | 2016 £000s | 2017 £000s |
| Not later than one year | 201 | 185 |
| Later than one year and not later than five years | 124 | 124 |
| Later than five years. | 3,433 | 3,402 |
| | 3,758 | 3,711 |

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 2015/16 £000s | PCC/Group 2016/17 £000s |
|--|-------------------------------|-------------------------------|
| Minimum Lease Payments | | |
| - Land and Buildings | 144 | 129 |
| - Equipment | 116 | 77 |
| | 260 | 206 |



North Cumbria Territorial Policing Area HQ – 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.

Accounting Policy - 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.

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.

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.

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.

Finance Leases (as Lessor)

- There are currently no finance leases as a lessor.

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.

14 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 2017 is set out in the table below:

| Short-term Debtors | PCC | | Group | |
|--|---------------------------------|---------------|---------------------------------|---------------|
| | As at 31 March 2016 £000s | 2017 £000s | As at 31 March 2016 £000s | 2017 £000s |
| Central Government Bodies | 4,469 | 6,241 | 4,469 | 6,241 |
| Other Police / Local Authorities | 673 | 1,181 | 673 | 1,181 |
| NHS Bodies | 53 | 31 | 53 | 31 |
| Public Corporations & Trading Funds | 48 | 22 | 48 | 22 |
| Other Entities and Individuals (see below) | 7,542 | 7,285 | 7,542 | 7,285 |
| Impairment (Provision for Bad Debts) | (880) | (877) | (880) | (877) |
| Other Entities and Individuals (Net of Impairment) | 6,662 | 6,408 | 6,662 | 6,408 |
| Balances Owed From Chief Constable: | | | | |
| - Re CC Share of External Creditors | 8,577 | 8,164 | 0 | 0 |
| - Re balance of Funding | 4,626 | 4,688 | 0 | 0 |
| Total Debtors | 25,108 | 26,734 | 11,905 | 13,882 |

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 2016 £000s | 2017 £000s | As at 31 March 2016 £000s | 2017 £000s |
| Police Pensioners Prepayment | 2,173 | 2,243 | 2,173 | 2,243 |
| Goods and Services | 1,092 | 763 | 1,092 | 763 |
| Prepayments/Payments In Advance | 2,342 | 2,376 | 2,342 | 2,376 |
| Employees (accumulated compensating absences) | 75 | 85 | 75 | 85 |
| Local Taxpayers (#) | 1,860 | 1,819 | 1,860 | 1,819 |
| | 7,542 | 7,285 | 7,542 | 7,285 |
| Less - Provision for Bad Debts (Goods & Services) | (1) | (1) | (1) | (1) |
| Less - Provision for Bad Debts (Local Taxpayers) (#) | (879) | (876) | (879) | (876) |
| | (880) | (877) | (880) | (877) |
| Other Entities and Individuals (Net of Impairment) | 6,662 | 6,408 | 6,662 | 6,408 |

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.

15 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 2017 is set out in the table below:

| Short-term Creditors | PCC | | Group | |
|--|-----------------|-----------------|-----------------|-----------------|
| | As at 31 March | | As at 31 March | |
| | 2016 | 2017 | 2016 | 2017 |
| | £000s | £000s | £000s | £000s |
| Central Government Bodies | (1,736) | (1,882) | (1,736) | (1,882) |
| Other Police / Local Authorities | (793) | (571) | (793) | (571) |
| NHS Bodies | (49) | (907) | (49) | (907) |
| Public Corporations & Trading Funds | 0 | (2) | 0 | (2) |
| Other Entities and Individuals (see below) | (10,115) | (7,565) | (10,115) | (7,565) |
| | (12,693) | (10,927) | (12,693) | (10,927) |
| Balances Owed to Chief Constable: | | | | |
| - Re CC Share of External & Employee Debtors | (4,433) | (4,520) | 0 | 0 |
| - Re balance of Funding | (6,214) | (6,565) | 0 | 0 |
| Total Creditors | (23,340) | (22,012) | (12,693) | (10,927) |

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 | |
| | 2016 | 2017 | 2016 | 2017 |
| | £000s | £000s | £000s | £000s |
| Goods and Services | (5,999) | (2,962) | (5,999) | (2,962) |
| Receipts In Advance | (489) | (900) | (489) | (900) |
| Employees (accumulated compensating absences) | (2,931) | (2,940) | (2,931) | (2,940) |
| Local Taxpayers | (696) | (763) | (696) | (763) |
| Other Entities and Individuals | (10,115) | (7,565) | (10,115) | (7,565) |

16 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 2017 is provided below:

- Insurance liabilities – this provision has been established to meet a number of eventualities **from ongoing claims** 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. **The provision for insurance liabilities is subject to an actuarial review on a bi-ennial basis to determine the most appropriate level for the provision based on the circumstances at the time of the review.**
- Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.

Accounting Policy – 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 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.

Notes to the Accounts

The table below shows the movements during the year on each of the group provisions and the position as at 31 March 2017.

| Provisions | Balance as at 01/04/16 | Additional Provisions Made 2016/17 | Amounts Used in 2016/17 | Unused Amounts Reversed in 2016/17 | Balance as at 31/03/17 |
|-------------------------|------------------------------|--|----------------------------|---|------------------------------|
| | £000s | £000s | £000s | £000s | £000s |
| Insurance Liabilities | (484) | (44) | 44 | 0 | (484) |
| Legal Claims | (76) | (800) | (43) | 68 | (851) |
| Total Provisions | (560) | (844) | 1 | 68 | (1,335) |

The comparative information for year ended 31 March 2016 is as follows:

| 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) |
| Total Provisions | (1,430) | (157) | 788 | 239 | (560) |

17 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 104 to 109.

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

18 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 a separate technical appendix at Annex C on pages 110 to 121.

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

19 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, 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 8 to the accounts (see pages 54-55).

The movement in the Commissioner's Group and Single Entity Usable Reserves is detailed in the Movement in Reserves Statement (see pages **32 to 33**), and the disclosure notes relating to Adjustments between the Accounting Basis and Funding Basis under regulations (Note 7) and Transfer to/from Earmarked reserves (Note 8).

Accounting Policy - 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.

20 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.

20.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 2016/17 and the previous year are set out in the table below:

| Revaluation Reserve | PCC/Group 2015/16 £000s | PCC/Group 2016/17 £000s |
|--|-------------------------------|-------------------------------|
| Balance at Start of Year | 9,315 | 8,307 |
| Upward revaluation of assets | 148 | 1,825 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (1,061) | (618) |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services | (913) | 1,207 |
| Difference between fair value depreciation and historical cost depreciation | (95) | (66) |
| Amount written off to Capital Adjustment Account | (95) | (66) |
| Balance at End of Year | 8,307 | 9,448 |

20.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 7 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 2016/17 and the previous year are set out in the table below:

| Capital Adjustment Account | PCC/Group 2015/16 £000s | PCC/Group 2016/17 £000s |
|---|-------------------------------|-------------------------------|
| Balance at Start of Year | 39,259 | 38,973 |
| 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 | (4,237) | (4,827) |
| Revaluation gains/(losses) on Property, Plant and Equipment | (2,659) | (607) |
| Amortisation of Intangible assets | (227) | (120) |
| 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 | (620) | (437) |
| | (7,743) | (5,991) |
| Adjusting amounts written out of the Revaluation Reserve | 95 | 66 |
| Net written out amount of the cost of non-current assets consumed in the year | (7,648) | (5,925) |
| Capital financing applied in the year: | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 607 | 0 |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 0 | 454 |
| Statutory provision for the financing of capital investment charged against the General Fund | 367 | 413 |
| Capital expenditure charged against the Police Fund | 6,388 | 2,439 |
| | 7,362 | 3,306 |
| Balance at End of Year | 38,973 | 36,354 |

20.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 2015/16 £000s | PCC/Group 2016/17 £000s |
|--|--|-------------------------------|-------------------------------|
| Balance at Start of Year | | 583 | 739 |
| 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 | | 156 | (19) |
| Balance at End of Year | | 739 | 720 |

A further breakdown of the movement in year by district council, is provided in note 29 on page 89.

Accounting Policy – 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.

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.

20.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 2015/16 £000s | PCC 2016/17 £000s | Group 2015/16 £000s | Group 2016/17 £000s |
|---|-------------------------|-------------------------|---------------------------|---------------------------|
| Balance at Start of Year | (17) | (7) | (2,701) | (2,855) |
| Settlement or cancellation of accrual made at the end of the preceeding year | 17 | 7 | 2,701 | 2,855 |
| Amounts accrued at the end of the current year | (7) | (7) | (2,855) | (2,856) |
| 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 | 10 | 0 | (154) | (1) |
| Balance at End of Year | (7) | (7) | (2,855) | (2,856) |

Accounting Policy - 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.

20.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 | |
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Balance at Start of Year | (796) | (687) | (32,177) | (26,223) | (1,142,570) | (1,012,460) |
| Remeasurement of the net defined pension benefit liability/asset | 189 | (541) | 8,895 | (19,762) | 161,090 | (208,210) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (151) | (148) | (6,054) | (5,125) | (57,080) | (50,310) |
| Employer's pension contributions and direct payments to pensioners payable in the year. | 71 | 118 | 3,113 | 3,974 | 26,100 | 27,860 |
| Balance at End of Year | (687) | (1,258) | (26,223) | (47,136) | (1,012,460) | (1,243,120) |

20.f Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the losses made by the Commissioner arising from decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated losses are:

- Revalued upwards and the losses are recovered.
- Disposed of and the losses are recovered.

| Available for Sale Financial Instruments Reserve | PCC/Group | |
|---|-----------|-------------|
| | 2015/16 | 2016/17 |
| | £000s | £000s |
| Balance at Start of Year | 0 | 0 |
| Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 0 | (18) |
| Balance at End of Year | 0 | (18) |

21 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.

21.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.

21.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 30). Government Grants included within the Net Cost of Services are detailed in note 27 below, the extent to which these grants are outstanding at the end of the year is recorded in short-term [debtors](#) note 14.

21.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 2016/17 financial year. The total members allowances paid in 2016/17 are shown in note 22.

21.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 2016/17 financial year.

21.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 C) pages 110-121.

The amounts received in respect of council tax income from the six Cumbrian District Councils are detailed in note 29.

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.

22 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 2015/16 £000s | PCC/Group 2016/17 £000s |
|--------------------|------------------------|-------------------------------|-------------------------------|
| | Basic Allowance | 14 | 16 |
| | Travel and Subsistence | 6 | 7 |
| | | 20 | 23 |
| | | | |

The above table includes expenses for the four appointed members of the Joint Audit and Standards Committee, the four appointed members of the Ethics and Integrity Panel together with travel allowances payable to independent custody visitors. The table above includes the total costs of members and these apply jointly between the Commissioner and Constabulary.

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

23 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 2016/17 and the second provides comparatives for 2015/16.



Notes to the Accounts

The table below gives the PCC and Group information for 2016/17 in £000s.

| Postholder Information Post Title | Note | Salary (including Fees & Allowances) | Expense Allowances | Salary Sacrifice | 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 |
|---|------|---|-----------------------|------------------|---|---------------------|---|--|--------------------------|--|
| Shown in Single Entity Statements of Police & Crime Commissioner | | | | | | | | | | |
| Police & Crime Commissioner (A) | 1 | 7 | 0 | 0 | 0 | 0 | 0 | 8 | 1 | 9 |
| Police & Crime Commissioner (B) | 2 | 58 | 2 | 0 | 0 | 0 | 0 | 60 | 7 | 67 |
| PCC Chief Finance Officer | 3 | 65 | 0 | 0 | 0 | 0 | 0 | 65 | 8 | 73 |
| PCC Chief Executive | | 91 | 0 | 0 | 0 | 0 | 0 | 91 | 12 | 102 |
| Total PCC | | 220 | 3 | 0 | 0 | 0 | 0 | 223 | 28 | 251 |
| Shown in Single Entity Statements of Chief Constable | | | | | | | | | | |
| Chief Constable | | 140 | 7 | 0 | 0 | 0 | 3 | 150 | 0 | 150 |
| Deputy Chief Constable | | 114 | 8 | 0 | 0 | 0 | 3 | 124 | 24 | 148 |
| Assistant Chief Constable | 4 | 84 | 0 | (1) | 4 | 0 | 2 | 90 | 18 | 107 |
| Temporary Assistant Chief Constable | 5 | 88 | 4 | (1) | 0 | 1 | 3 | 95 | 19 | 113 |
| Chief Superintendent (A) | 6 | 12 | 0 | 0 | 0 | 0 | 0 | 12 | 3 | 15 |
| Chief Superintendent (B) | | 83 | 2 | 0 | 0 | 1 | 3 | 89 | 18 | 107 |
| Chief Superintendent (C) | 7 | 79 | 3 | 0 | 0 | 1 | 3 | 86 | 17 | 103 |
| Temp. Chief Superintendent (A) | 8 | 40 | 2 | 0 | 2 | 0 | 1 | 46 | 8 | 54 |
| Temp. Chief Superintendent (B) | 9 | 74 | 2 | 0 | 0 | 1 | 3 | 80 | 16 | 95 |
| Chief Inspector PSD | 10 | 55 | 1 | 0 | 0 | 1 | 1 | 59 | 12 | 71 |
| Head of PSD - Superintendent | 11 | 15 | 0 | 0 | 0 | 0 | 0 | 16 | 3 | 19 |
| Director of Legal Services | | 73 | 1 | 0 | 0 | 1 | 0 | 76 | 9 | 85 |
| Director of Corporate Support | | 81 | 0 | (1) | 0 | 0 | 0 | 81 | 10 | 91 |
| Director of Corporate Improvement | | 81 | 1 | 0 | 0 | 0 | 0 | 82 | 10 | 93 |
| CC Chief Finance Officer | | 67 | 0 | 0 | 0 | 0 | 0 | 67 | 8 | 76 |
| Total CC | | 1,087 | 32 | (2) | 6 | 8 | 22 | 1,152 | 175 | 1,328 |
| Total Group | | 1,307 | 34 | (2) | 6 | 8 | 22 | 1,375 | 203 | 1,579 |

Notes:

- Police and Crime Commissioner (A) came to the end of his term in office in May 2016.
- Police and Crime Commissioner (B) was elected to office in May 2016.
- The PCC Chief Finance Officer reduced her hours from 33.3 hrs per week to 23.5 hrs per week wef 09/01/2017.
- The ACC left Cumbria Constabulary on 08/01/2017.
- The Temporary ACC was appointed to the role with effect from 01/01/2017.
- Chief Superintendent (A) left Cumbria Constabulary on 22/05/2016.
- Chief Superintendent (C) left became Crime Commander on 01/10/2016.
- Temporary Chief Superintendent (A) left Cumbria Constabulary on 30/09/2016.
- Temporary Chief Superintendent (B) was appointed to Temporary Chief Superintendent Territorial Policing on 01/01/2017.
- Chief Inspector PSD ceased the role of Head of Professional Standards Department (PSD) on the 16/01/2017 and was replaced by Superintendent PSD.
- Superintendent PSD became Head of Professional Standards Department w.e.f. 16/01/2017.

Notes to the Accounts

The comparative PCC and Group figures for 2015/16 in £000s, are set out in the table below:

| 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 |
|---|------|---|-----------------------|------------------|---------------------|---|--|--------------------------|--|
| Shown in Single Entity Statements of Police & Crime Commissioner | | | | | | | | | |
| 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 |
| Total PCC | | 225 | 3 | 0 | 1 | 0 | 229 | 28 | 257 |
| Shown in Single Entity Statements of Chief Constable | | | | | | | | | |
| 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 |
| Total CC | | 1,153 | 37 | (2) | 8 | 25 | 1,222 | 202 | 1,424 |
| Total Group | | 1,378 | 40 | (2) | 9 | 25 | 1,451 | 230 | 1,681 |

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.

24 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 | 2015/16 | | | | 2016/17 | | | |
|----------------------|------------------------|-----------------------|------------------------------|----------------|------------------------|-----------------------|------------------------------|----------------|
| | 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 | 4 | 0 | 4 |
| £55,000 to £59,999 | 2 | 2 | 0 | 4 | 3 | 1 | 0 | 4 |
| £60,000 to £64,999 | 0 | 1 | 0 | 1 | 1 | 1 | 0 | 2 |
| £65,000 to £69,999 | 2 | 1 | 0 | 3 | 0 | 3 | 0 | 3 |
| £70,000 to £74,999 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 |
| £75,000 to £79,999 | 0 | 1 | 0 | 1 | 0 | 0 | 1 | 1 |
| £80,000 to £84,999 | 0 | 1 | 1 | 2 | 0 | 2 | 1 | 3 |
| £85,000 to £89,999 | 0 | 0 | 3 | 3 | 0 | 0 | 1 | 1 |
| £90,000 to £94,999 | 1 | 0 | 1 | 2 | 1 | 0 | 2 | 3 |
| £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 | 0 | 0 | 0 | 0 | 0 | 0 |
| £115,000 to £119,999 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| £120,000 to £124,999 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 |
| £125,000 to £129,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £130,000 to £134,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £140,000 to £144,999 | 0 | 0 | 1 | 1 | 0 | 0 | 1 | 1 |
| Total | 5 | 9 | 7 | 21 | 5 | 12 | 7 | 24 |

In 2016/17 the remuneration for 74 Police Officers (65 in 2015/16) 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 23 for more information.

25 Exit Packages/Termination Payments

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 | |
| | 2015/16 Headcount | 2016/17 Headcount | 2015/16 Headcount | 2016/17 Headcount | 2015/16 Headcount | 2016/17 Headcount | 2015/16 £000's | 2016/17 £000's |
| £0-£20,000 | 8 | 0 | 32 | 4 | 40 | 4 | 447 | 40 |
| £20,001 - £40,000 | 1 | 0 | 21 | 0 | 22 | 0 | 607 | 0 |
| £40,001 - £60,000 | 0 | 0 | 9 | 2 | 9 | 2 | 440 | 109 |
| £60,001 - £80,000 | 1 | 0 | 4 | 2 | 5 | 2 | 331 | 150 |
| £80,001 - £100,000 | 0 | 0 | 2 | 0 | 2 | 0 | 168 | 0 |
| £100,001 - £150,000 | 1 | 0 | 1 | 0 | 2 | 0 | 203 | 0 |
| Total | 11 | 0 | 69 | 8 | 80 | 8 | 2,196 | 298 |

During 2016/17 the contracts of a small number of employees were terminated incurring termination payments amounting to £306k (£1,641k in 2015/16). This amount is made up exit packages paid and accrued in 2016/17.

The exit packages paid in 2016/17 amount to £298k (£2,196k in 2015/16). The exit packages can be further split into compensation for loss of employment £144k (£1,242k in 2015/16) and enhanced pension benefits £154k (£954k in 2015/16). The redundancies are as a result of the Constabulary's change programme. The Exit Packages table above provides details of the number and total cost of exit packages per band and include those exit packages paid in 2016/17 and those agreed for individuals in 2016/17 but paid in 2017/18 for which an accrual was made in the 2016/17 accounts.

During 2016/17 an amount of £8k arose as a result of a number of amounts that had been accrued in the 2015/16 accounts for which the final settlement during 2016/17 was slightly higher. These amounts are not included in the above table in 2016/17 as the exit packages for those individuals are included in the 2015/16 column. The figure shown on the face of the Expenditure and Funding Analysis (pages 41-42) for 2016/17 is made up of the exit packages paid in the year of £298k (per the table above) plus £8k in respect of these differences in accruals. For 2015/16 the total exit packages paid of £2,196k (per the table above) is divided between those arising in the year and charged to the revenue budget £1,641k (as shown on the face of the Expenditure and Funding Analysis for 2015/16 plus those charged directly against a specific termination costs provision established in 2014/15 £555k.

Accounting Policy - 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. These 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.

26 Audit Fees

In 2016/17 the Commissioner and Chief Constable incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

| External Audit Fees | Group 2015/16 £000s | Group 2016/17 £000s |
|--|---------------------------|---------------------------|
| Amounts Relating to The Police and Crime Commissioner | | |
| Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor. | 30 | 30 |
| | 30 | 30 |
| Amounts Relating to The Chief Constable | | |
| Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor. | 15 | 15 |
| | 15 | 15 |
| Other Services | | |
| Fees payable in respect of other services provided by Grant Thornton during the year. | 3 | 12 |
| | | |
| Total External Audit Fees for Year | 48 | 57 |

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 2016/17 also included a one off piece of consultancy work undertaken on A VAT health check and work associated with the development of a VAT manual. These fees relate to both the Commissioner and the Constabulary.

27 Grant Income

The Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17.

| Grant Income | PCC/Group | |
|--|------------------|------------------|
| | 2015/16 £000s | 2016/17 £000s |
| Credited to Taxation and Non Specific Grant Income | | |
| Capital grants and contributions - General | 709 | 429 |
| Capital grants and contributions - HO Innovation | 607 | 0 |
| Formula Funding (Home Office) | 30,999 | 30,822 |
| Council Tax Freeze & Local Council Tax Support Support (Home Office) | 4,850 | 4,850 |
| Home Office Police Grant | 28,886 | 28,721 |
| PFI Grant (Home Office) | 688 | 687 |
| Police Pension Grant (Home Office) | 18,371 | 17,590 |
| TOTAL | 85,110 | 83,099 |
| Credited to Services | | |
| <i>Grants and Contributions - Central Government</i> | | |
| Criminal Records Bureau (Home Office) | 258 | 292 |
| Dedicated Security Posts (Home Office) | 162 | 169 |
| Innovation Fund (Home Office) | 372 | 1,427 |
| ANPR Project (mayor's Office of the PCC) | 0 | 161 |
| Victims Services (Ministry of Justice) | 557 | 588 |
| Collaborations (Various) | 176 | 163 |
| Custody Contract Delivery (NHS England) | 0 | 25 |
| Access to Work (DWP) | 0 | 2 |
| | 1,525 | 2,827 |
| <i>Grants and Contributions - Other</i> | | |
| NHS Funding (SASS) | 114 | 558 |
| Local Partnership | 141 | 288 |
| Youth Offending Team (Cumbria CC) | 101 | 88 |
| Safer Cumbria Delivery Board (PCC for Cumbria) | 0 | 14 |
| | 356 | 948 |
| TOTAL | 1,881 | 3,775 |

Accounting Policy - 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.

28 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. At that time it was envisaged that the grant would be drawn down during the construction of the building during 2017/18 and once grant conditions are met.

During 2016/17 however, the project to construct the Strategic Command Centre was aborted. The funding was returned to the Nuclear Decommissioning Authority in December 2016.

29 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 2016/17 is received as precept from the six district councils as set out below:

| Council Tax Income | Precept Paid 2016/17 £000s | PCC/Group Adjustment Re Debtors/ (Creditors) £000s | Income from Council Tax £000s |
|---------------------------------|-------------------------------------|--|--|
| Allerdale District Council | 6,531 | (111) | 6,420 |
| Barrow Borough Council | 4,098 | 29 | 4,127 |
| Carlisle City Council | 7,057 | 57 | 7,114 |
| Copeland Borough Council | 4,411 | 36 | 4,447 |
| Eden District Council | 4,361 | (30) | 4,331 |
| South Lakeland District Council | 9,674 | 0 | 9,674 |
| | 36,132 | (19) | 36,113 |

The comparative information for 2015/16 is as follows:

| 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 |
| | 34,987 | 156 | 35,143 |

30 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 2016/17 statement of accounts.

Pension Challenge

The Chief Constable of Cumbria, along with other Chief Constables and the Home Office, currently has 114 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the transitional provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

Accounting Policy - 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.

31 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 2016/17 was approved by the Commissioner at his Executive Board Meeting on 24 February 2016. The capital strategy report can be found on the Commissioner's website at: <https://cumbria-pcc.gov.uk/wp-content/uploads/2017/03/24-February-2016.pdf>

The capital outturn report for 2016/17 was approved by the Commissioner on 10 May 2017 and can also be found on the Commissioner's website.

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

| Capital Expenditure | PCC/Group | |
|---|------------------|------------------|
| | 2015/16 £000s | 2016/17 £000s |
| Technology Schemes | | |
| Case & Custody System | 420 | 112 |
| Computer Hardware & Infrastructure | 2,489 | 497 |
| Mobility & Digitisation | 292 | 893 |
| Wide Area Network (WAN) | 0 | 74 |
| Other Technology Schemes | 141 | 15 |
| | 3,342 | 1,591 |
| Vehicles Replacement Scheme | 578 | 353 |
| Building Schemes | | |
| South Estate - Barrow | 3,919 | 44 |
| Other Building Schemes | 324 | 767 |
| | 4,243 | 811 |
| Equipment Schemes | | |
| County Wide CCTV System | 487 | 6 |
| Automatic Number Plate Recognition (ANPR) | | 102 |
| Other Equipment Schemes | 252 | 73 |
| | 739 | 181 |
| Intangible Assets | 97 | 98 |
| Total Capital Expenditure | 8,999 | 3,034 |

31.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 | |
|--|------------------|------------------|
| | 2015/16 £000s | 2016/17 £000s |
| Opening Capital Financing Requirement | 17,037 | 18,674 |
| <i>Capital investment</i> | | |
| Property, Plant and Equipment | 8,902 | 2,936 |
| Intangible Assets | 97 | 98 |
| <i>Sources of Finance</i> | | |
| Capital receipts | 0 | 0 |
| Government grants and other contributions | (607) | (454) |
| Sums set aside from revenue: | | |
| - Direct revenue contributions | (6,388) | (2,439) |
| - Minimum revenue provision | (367) | (413) |
| Closing Capital Financing Requirement | 18,674 | 18,402 |
| <i>Explanation of Movements in Year</i> | | |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 1,637 | (272) |
| Increase/(decrease) in Capital Financing Requirement | 1,637 | (272) |

32 Capital Commitments

The Commissioner has outstanding contractual commitments amounting to £750k in respect of a number of schemes from the 2016/17 capital programme (£1,194k in 2015/16).

| Outstanding Capital Commitments | PCC/Group As at 31 March | |
|---------------------------------|-----------------------------|---------------|
| | 2016 £000s | 2017 £000s |
| South Estate - Barrow | 13 | 0 |
| South Estate - Kendal | 141 | 0 |
| Vehicle Replacement | 19 | 291 |
| Case and Custody | 199 | 88 |
| CCTV | 0 | 46 |
| HQ Electrical Infrastructure | 416 | 0 |
| Eden Deployment Centre/Carpark | 178 | 225 |
| Converged Infrastructure | 200 | 0 |
| Other Capital Commitments | 28 | 100 |
| Total | 1,194 | 750 |

33 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 2016 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 2016/17 (and comparatives for 2015/16) is made up as follows:

| Minimum Revenue Provision | PCC/Group 2015/16 £000s | PCC/Group 2016/17 £000s |
|---|-------------------------------|-------------------------------|
| Minimum Revenue Provisions (MRP) | | |
| Core MRP | 270 | 303 |
| PFI MRP | 97 | 110 |
| Total MRP for Year | 367 | 413 |

34 Accounting Standards that have been Issued but have not yet been Adopted

For 2016/17 the following accounting policy changes that need to be reported relate to:

- Amendment to the reporting of pension fund scheme transaction costs;
- Amendment to the reporting of investment concentration.

In the Financial Statements for 2017/18, the effect of the changes will be assessed and where necessary, the comparative figures restated.

35 Prior Period Adjustment

A prior period adjustment has been made in the Commissioner's 2015/16 financial statements in relation to the way in which expenditure and income are reported within the cost of services section on the face of the Comprehensive Income and Expenditure Statement (pages 30-31).

During 2016/17 CIPFA's "Telling the Story" project aimed to streamline local authority (including policing bodies) financial statement to make that financial information more accessible to the reader. This resulted in a number of changes being made to the 2016/17 CIPFA Code of Practice on Local Authority Accounting. The most significant change has been to the format of the cost of services section of the Comprehensive Income and Expenditure Statement (CIES). Previously authorities were required to present these in line with CIPFA's Service Reporting Code of Practice (SERCOP), but under new requirements, these are to be reported on the basis the format of internal reporting structure used for budget setting and budget management.

Previously the Chief Constable and Commissioner chose to report expenditure and income on the CIES on the basis of descriptors provided by the Police Objective Analysis (e.g. local policing, intelligence, national policing etc.) providing a total cost of providing police services. The change in CIPFA code requirements now require this to be in the format used for internal resource management reporting purposes. The Chief Constable and Commissioner do not report internally on operational segments, instead a system of centralised budgets and devolved resource management mean that internal reporting on a monthly/quarterly basis is by subjective headings (e.g. employee costs, premises, transport, supplies & services).

The income and expenditure on the CIES are now reported as a single line "Cost of Policing and Crime Services". Further analysis by subjective headings is provided on the Expenditure and Funding Analysis (pages 41-44) and in notes 5 and 6 to the main statements.

Accounting Policy - 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.

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.

Notes to the Accounts

The table below shows how the net expenditure for 2015/16 has been re-stated:

| Prior Period Adjustment Note | PCC Net Exp Per 2015/16 Accounts £000s | PCC Amount re- stated for 2015/16 £000s | PCC Change in Amount £000s | Group Net Exp Per 2015/16 Accounts £000s | Group Amount re- stated for 2015/16 £000s | Group Change in Amount £000s |
|---|--|---|-------------------------------------|--|---|---------------------------------------|
| Total Reported Per SERCOP/Police Objective Analysis Format | | | | | | |
| Local Policing | 2,070 | 0 | (2,070) | 45,858 | 0 | (45,858) |
| Dealing with the public | 1,088 | 0 | (1,088) | 8,769 | 0 | (8,769) |
| Criminal justice arrangements | 296 | 0 | (296) | 9,428 | 0 | (9,428) |
| Road policing | (2,386) | 0 | 2,386 | 4,856 | 0 | (4,856) |
| Specialist operations | (155) | 0 | 155 | 3,881 | 0 | (3,881) |
| Intelligence | 590 | 0 | (590) | 5,823 | 0 | (5,823) |
| Investigation | (17) | 0 | 17 | 13,716 | 0 | (13,716) |
| Investigative support | 251 | 0 | (251) | 3,301 | 0 | (3,301) |
| National policing | (2,727) | 0 | 2,727 | 395 | 0 | (395) |
| Corporate and democratic core | 917 | 0 | (917) | 1,180 | 0 | (1,180) |
| Non distributed costs | 0 | 0 | 0 | 588 | 0 | (588) |
| Termination payments | 0 | 0 | 0 | 1,641 | 0 | (1,641) |
| Funding provided by PCC to CC | 104,109 | 104,109 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Revised Format | | | | | | |
| Cost of Policing and Crime Services | 0 | (73) | (73) | 0 | 99,436 | 99,436 |
| | | | | | | |
| Cost of Services | 104,036 | 104,036 | 0 | 99,436 | 99,436 | 0 |

Police Officer Pension Fund Account

Police Officer Pension Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2016/17 financial year together with comparative information for 2015/16.

| Police Officer Pension Fund Account | Group 2015/16 £000s | Group 2016/17 £000s |
|--|---------------------------|---------------------------|
| Contributions Receivable | | |
| Employer | | |
| - Contributions (21.3% of Pensionable Pay in 2016/17 and 2015/16) | (8,286) | (8,133) |
| Officers' Contributions | | |
| - 1987 Scheme Member Contributions (see narrative for rates) | (2,668) | (2,276) |
| - 2006 Scheme Member Contributions (see narrative for rates) | (93) | (77) |
| - 2015 Scheme Member Contributions (see narrative for rates) | (2,544) | (2,826) |
| | (13,591) | (13,312) |
| Transferees in from Other Schemes | (322) | (130) |
| Capital Equivalent charge for ill-health schemes | (132) | (289) |
| | (454) | (419) |
| Benefits Payable | | |
| Recurrent Pensions | 25,058 | 25,902 |
| Commutations and Lump Sums | 8,440 | 6,414 |
| Other (Scheme Pays) | 0 | 74 |
| | 33,498 | 32,390 |
| Payments to and on Account of Leavers | | |
| Refund of Contributions | 44 | 27 |
| Transfer out to other schemes | 2 | 0 |
| | 46 | 27 |
| Net Amount Payable for the Year | 19,499 | 18,686 |
| Additional Contribution from the Police & Crime Commissioner | (18,371) | (17,590) |
| Additional Funding Payable by the Police and Crime Commissioner (2.9%) | (1,128) | (1,096) |
| Net Amount Payable (Receivable) for the Year | 0 | 0 |

Net Assets Statement

This statement shows the net assets and liabilities of the scheme as at 31 March 2017.

| Pension Fund Net Assets & liabilities | Group 2015/16 £000s | Group 2016/17 £000s |
|---|---------------------------|---------------------------|
| Current Assets | | |
| Pensions Benefits paid in advance | 2,173 | 2,243 |
| Current Liabilities | | |
| Amount due to the Police & Crime Commissioner | (2,173) | (2,243) |
| | 0 | 0 |

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

Since 1 April 2015 the Chief Constable has operated three 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 original Police Officer Pension scheme is known as the 1987 scheme. 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 2016/17 and 2015/16 were between 11% and 12.75% for the 2006 scheme and between 14.25% and 15.05 for the 1987 scheme.

From 1 April 2015, a new pension scheme was introduced for Police Officers, known as the 2015 Scheme. The 2015 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 2016/17 and 2015/16.

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 34). Detailed disclosure notes regarding the Police Pension schemes can be found in the Technical Annex to the Statement of Accounts (Annex C Pensions on pages 110-121).

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% 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 2016/17 financial year and the financial position at the 31 March 2017. 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 2016/17](#) (the Code) and the Service Reporting Code of Practice 2016/17 [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).

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.

Annex A - Statement of Accounting Policies

3 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.

4 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.

5 Treatment of Overheads

The costs of overheads and support services are incorporated within the cost of Policing and Crime Services line of the comprehensive income and expenditure statement in accordance with the principles of the [CIPFA](#) Code of practice on Local Authority Accounting which requires costs to shown on the same basis as used for resource management.

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 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.

6 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.

Annex A - Statement of Accounting Policies

7 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.

8 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.

9 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.

Annex B – Technical Annex – 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.*

Accounting Policy - 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.

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.

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 14, page 69).

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.

Annex B – Technical Annex – Financial Instrument Disclosures

B1 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 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Financial Assets | | | | | | | | |
| Loans and Receivables | | | | | | | | |
| Investments | 0 | 2,043 | 15,030 | 8,102 | 0 | 2,043 | 15,030 | 8,102 |
| Cash & Cash Equivalents | 0 | 0 | 3,303 | 3,044 | 0 | 0 | 3,303 | 3,044 |
| Debtors | 0 | 0 | 5,301 | 6,707 | 0 | 0 | 5,376 | 6,792 |
| Total Financial Assets | 0 | 2,043 | 23,634 | 17,853 | 0 | 2,043 | 23,709 | 17,938 |
| Financial Liabilities | | | | | | | | |
| Financial liabilities carried at contract amounts | | | | | | | | |
| Creditors | 0 | 0 | (7,688) | (5,446) | 0 | 0 | (10,611) | (8,379) |
| Other Long-term Liability (PFI/Finance Lease) | | | | | | | | |
| PFI & Finance Lease Liabilities | (5,012) | (4,887) | (111) | (125) | (5,012) | (4,887) | (111) | (125) |
| Total Financial Liabilities | (5,012) | (4,887) | (7,799) | (5,571) | (5,012) | (4,887) | (10,722) | (8,504) |

B2 Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2016/17 relating to financial instruments are made up as follows:

| Gains and Losses on Financial Instruments | PCC/Group 2015/16 | | | | PCC/Group 2016/17 | | | |
|--|---|---|--|--------------|---|---|--|--------------|
| | 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 | 646 | 0 | 646 | 0 | 633 | 0 | 633 |
| Impairment Losses (Bad Debts Provision Increase) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenses in (Surplus) or Deficit on the Provision of Services | 0 | 646 | 0 | 646 | 0 | 633 | 0 | 633 |
| Interest Income | 0 | 0 | (124) | (124) | 0 | 0 | (102) | (102) |
| Impairment Gain (Bad Debts Provision Reduction) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Income in (Surplus) or Deficit on the Provision of Services | 0 | 0 | (124) | (124) | 0 | 0 | (102) | (102) |
| Net (Gain)/Loss for the Year | 0 | 646 | (124) | 522 | 0 | 633 | (102) | 531 |

Annex B – Technical Annex – Financial Instrument Disclosures

B3 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. Financial Instruments are to be measured at fair value. The fair value hierarchy must now be followed, whereby inputs used in the valuation techniques for assets and liabilities are prioritised to give the most accurate and appropriate measurement of fair value. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. For example, where the instrument is not actively marketed or measurable, quoted prices of similar assets or liabilities may be used.
- Level 3 – unobservable inputs for the asset or liability.

The fair valuation of the PCC's long term liabilities is classed as level 2 in the hierarchy.

The PCC reviews the categorisation of inputs when new formal valuations are undertaken and when trigger events occur (for example a major change of tenant of a rented property, or change in Bank of England base lending rate). The change in category is reported at the next financial year-end following the trigger event.

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 2017 of 2.19% 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 2016 | | 31 March 2017 | | 31 March 2016 | | 31 March 2017 | |
| | Carrying Amount £000s | Fair Value £000s | Carrying Amount £000s | Fair Value £000s | Carrying Amount £000s | Fair Value £000s | Carrying Amount £000s | Fair Value £000s |
| Financial Liabilities | | | | | | | | |
| Creditors | (7,688) | (7,688) | (5,446) | (5,446) | (10,611) | (10,611) | (8,379) | (8,379) |
| Other Long-term Liabilities (PFI/Finance Lease) | (5,123) | (9,665) | (5,012) | (9,631) | (5,123) | (9,665) | (5,012) | (9,631) |
| | (12,811) | (17,353) | (10,458) | (15,077) | (15,734) | (20,276) | (13,391) | (18,010) |
| Financial Assets | | | | | | | | |
| Investments | 15,030 | 15,030 | 10,145 | 10,145 | 15,030 | 15,030 | 10,145 | 10,145 |
| Cash and Cash Equivalents | 3,303 | 3,303 | 3,044 | 3,044 | 3,303 | 3,303 | 3,044 | 3,044 |
| Debtors | 5,301 | 5,301 | 6,707 | 6,707 | 5,376 | 5,376 | 6,792 | 6,792 |
| | 23,634 | 23,634 | 19,896 | 19,896 | 23,709 | 23,709 | 19,981 | 19,981 |

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.

Annex B – Technical Annex – Financial Instrument Disclosures

B4 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: <https://cumbria-pcc.gov.uk/wp-content/uploads/2017/03/Treasury-Management-Strategy-Statement-2017-18-and-Prudential-Indicators-2017-18-to-2019-20.pdf>

B4 (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 2016), also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria as set out in the 2016/17 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 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 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 – Financial Instrument Disclosures

The Commissioner's maximum exposure to credit risk in relation to its investments in banks, building societies and other Local Authority's of £10m 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 2017 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 at 31/03/17 £000s | Historical Experience of Default % | Historical Experience Adjusted for Market Conditions at 31/03/17 | Estimated maximum exposure to default and uncollectability £000s | Comparative Estimated maximum exposure at 31/03/16 £000s |
|---|-----------------------------|------------------------------------|--|---|---|
| Customers - Operational Debtors | 1,788 | 0.03% | 0.06% | 1 | 1 |

The Commissioner does not generally allow credit for customers. At the 31 March 2017, £72k (4%) of the £1,788k balance of operational debt was past the due date for payment. This sum has increased slightly from the balance at 31 March 2016 (£42k (2%) out of £2,148k overdue), as a consequence the Commissioner has maintained the bad debt provision as at 31 March 2017 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 | |
|--|-----------------------------|---------------|
| | 2016 £000s | 2017 £000s |
| Total Operational Debtors | 2,148 | 1,788 |
| Aged Debt past its due date by: | | |
| 1-30 Days | 22 | 42 |
| 31-60 Days | 4 | 12 |
| 61-90 Days | 4 | 3 |
| 91-180 Days | 1 | 6 |
| 181-360 Days | 3 | 0 |
| 361+ Days | 8 | 9 |
| | 42 | 72 |

B4 (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 2017 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.

B4 (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 2016/17.

C1 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.

Individually there are three pension schemes for police officers (1987, 2006 and 2015 schemes) and a single scheme for police staff (LGPS). They are all defined benefits schemes.

- **The Local Government Pension Scheme (LGPS)**

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.

The LGPS for Police Staff employees, is 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 2016/17 the Commissioner made a contribution of 12.7% of pensionable pay. The past service contribution made in 2016/17 of £1,478k (£47k 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 2016 with revised rate for employers contributions of 15.4% being applicable from April 2017.

- **The Police Pension Scheme**

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.

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 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 for 2015/16 and 2016/17 (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. The pension contribution rates were last reviewed in March 2012.

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.

Annex C – Technical Annex – Pensions Disclosures

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 96-97). 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.

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 policy.

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.

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.

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.

Accounting Policy – Post-Employment Benefits – CIES Entries/Charges to the Police Fund

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.

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.

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 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.

Annex C – Technical Annex – Pensions Disclosures

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.

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 | |
|--|----------------------------|------------------|------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|-----------------------------|------------------|
| | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s |
| Comprehensive Income and Expenditure Statement | | | | | | | | | | | | |
| <i>Cost of Services</i> | | | | | | | | | | | | |
| <i>Service cost comprising:</i> | | | | | | | | | | | | |
| • Current service cost | 4,426 | 3,809 | 0 | 0 | 12,730 | 8,060 | 360 | 220 | 6,400 | 6,320 | 23,916 | 18,409 |
| • (Gain)/loss from settlements/curtailments | 588 | 417 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 588 | 417 |
| <i>Financing and Investment Income and Expenditure</i> | | | | | | | | | | | | |
| • Net interest expense | 1,000 | 860 | 40 | 39 | 36,380 | 34,090 | 1,060 | 1,170 | 150 | 450 | 38,630 | 36,609 |
| Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services | 6,014 | 5,086 | 40 | 39 | 49,110 | 42,150 | 1,420 | 1,390 | 6,550 | 6,770 | 63,134 | 55,435 |
| Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | | | | | | | | | | | | |
| <i>Remeasurement of the net defined benefit liability comprising:</i> | | | | | | | | | | | | |
| • Return on plan assets (excluding the amount included in the net interest expense) | 1,635 | (15,344) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,635 | (15,344) |
| • Actuarial (gains) and losses arising on changes in demographic assumptions | 0 | (1,562) | 0 | (5) | (16,720) | (22,790) | (560) | 0 | (130) | 0 | (17,410) | (24,357) |
| • Actuarial (gains) and losses arising on changes in financial assumptions | (10,581) | 40,981 | (39) | 176 | (91,120) | 210,780 | (7,450) | 15,620 | (780) | 8,410 | (109,970) | 275,967 |
| • Experience (gains) and losses on liabilities | 0 | (4,476) | 0 | (109) | (51,680) | (3,470) | 7,320 | 40 | 30 | (380) | (44,330) | (8,395) |
| • Administration expenses | 90 | 101 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 90 | 101 |
| Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure | (8,856) | 19,700 | (39) | 62 | (159,520) | 184,520 | (690) | 15,660 | (880) | 8,030 | (169,985) | 227,972 |
| Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | (2,842) | 24,786 | 1 | 101 | (110,410) | 226,670 | 730 | 17,050 | 5,670 | 14,800 | (106,851) | 283,407 |
| <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. | (6,014) | (5,086) | (40) | (39) | (49,110) | (42,150) | (1,420) | (1,390) | (6,550) | (6,770) | (63,134) | (55,435) |
| <i>Actual amount charged against the General Fund Balance for pensions in the year</i> | | | | | | | | | | | | |
| • Employers' contributions payable to the scheme | 3,046 | 3,910 | 67 | 64 | 0 | 0 | 0 | 0 | 0 | 0 | 3,113 | 3,974 |
| • Retirements benefits payable to pensioners | 0 | 0 | 0 | 0 | 28,880 | 30,590 | (210) | 10 | (2,570) | (2,740) | 26,100 | 27,860 |
| Total amount charged against the Police Fund Balance for pensions in the year | 3,046 | 3,910 | 67 | 64 | 28,880 | 30,590 | (210) | 10 | (2,570) | (2,740) | 29,213 | 31,834 |

Annex C – Technical Annex – Pensions Disclosures

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 Funded Benefits | | PCC LGPS Unfunded Benefits | | PCC Total LGPS Pension Scheme | |
|--|--------------------------------|------------------|----------------------------------|------------------|-------------------------------------|------------------|
| | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s |
| Comprehensive Income and Expenditure Statement | | | | | | |
| <i>Cost of Services</i> | | | | | | |
| <i>Service cost comprising:</i> | | | | | | |
| • Current service cost | 126 | 126 | 0 | 0 | 126 | 126 |
| • (Gain)/loss from settlements/curtailments | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Financing and Investment Income and Expenditure</i> | | | | | | |
| • Net interest expense | 24 | 21 | 1 | 1 | 25 | 22 |
| Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services | 150 | 147 | 1 | 1 | 151 | 148 |
| Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | | | | | | |
| <i>Remeasurement of the net defined benefit liability comprising:</i> | | | | | | |
| • Return on plan assets (excluding the amount included in the net interest expense) | 36 | (926) | 0 | 0 | 36 | (926) |
| • Actuarial (gains) and losses arising on changes in demographic assumptions | 0 | (39) | 0 | 0 | 0 | (39) |
| • Actuarial (gains) and losses arising on changes in financial assumptions | (227) | 913 | (1) | 5 | (228) | 918 |
| • Experience (gains) and losses on liabilities | 0 | 584 | 0 | 1 | 0 | 585 |
| • Administration expenses | 3 | 3 | 0 | 0 | 3 | 3 |
| Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure | (188) | 535 | (1) | 6 | (189) | 541 |
| Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | (38) | 682 | 0 | 7 | (38) | 689 |
| <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. | (150) | (147) | (1) | (1) | (151) | (148) |
| <i>Actual amount charged against the General Fund Balance for pensions in the year</i> | | | | | | |
| • Employers' contributions payable to the scheme | 69 | 116 | 2 | 2 | 71 | 118 |
| • Retirements benefits payable to pensioners | 0 | 0 | 0 | 0 | 0 | 0 |
| Total amount charged against the Police Fund Balance for pensions in the year | 69 | 116 | 2 | 2 | 71 | 118 |

Annex C – Technical Annex – Pensions Disclosures

C2 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 2017 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 | | 2015/16 | | 2015/16 | | 2015/16 | |
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Present value of the defined benefit obligation | (134,244) | (176,229) | (1,137) | (1,174) | (971,330) | (1,167,410) | (32,890) | (49,930) | (8,240) | (25,780) |
| Fair value of plan assets | 109,158 | 130,267 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net liability arising from defined benefit obligation | (25,086) | (45,962) | (1,137) | (1,174) | (971,330) | (1,167,410) | (32,890) | (49,930) | (8,240) | (25,780) |

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 £1.290m (£1.039m at 31 March 2016) 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 £1.216m (£0.964m at 31 March 2016).

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 2017 are as follows:

| Pension Scheme Assets & Liabilities | PCC LGPS | | PCC LGPS | |
|---|-----------------|---------|-------------------|---------|
| | Funded Benefits | | Unfunded Benefits | |
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| | £000s | £000s | £000s | £000s |
| Present value of the defined benefit obligation | (3,272) | (4,928) | (33) | (38) |
| Fair value of plan assets | 2,618 | 3,708 | 0 | 0 |
| Net liability arising from defined benefit obligation | (654) | (1,220) | (33) | (38) |

Annex C – Technical Annex – Pensions Disclosures

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 | | | | | | | |
| | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s |
| Balance at Start of Year | (136,522) | (134,244) | (1,203) | (1,137) | (1,110,620) | (971,330) | (31,950) | (32,890) | 0 | (8,240) |
| Current service cost | (4,426) | (3,809) | 0 | 0 | (12,730) | (8,060) | (360) | (220) | (6,400) | (6,320) |
| Interest cost | (4,615) | (4,798) | (40) | (39) | (36,380) | (34,090) | (1,060) | (1,170) | (150) | (450) |
| Contributions by Scheme Participants | (1,166) | (1,098) | 0 | 0 | (2,670) | (2,280) | (90) | (80) | (2,540) | (2,830) |
| Remeasurement gains and (losses): | | | | | | | | | | |
| - Arising from changes in demographic assumptions | 0 | 1,562 | 0 | 5 | 16,720 | 22,790 | 560 | 0 | 130 | 0 |
| - Arising from changes in financial assumptions | 10,581 | (40,981) | 39 | (176) | 91,120 | (210,780) | 7,450 | (15,620) | 780 | (8,410) |
| - Experience gains/(losses) | 0 | 4,476 | 0 | 109 | 51,680 | 3,470 | (7,320) | (40) | (30) | 380 |
| Gains/(losses) on curtailment | (588) | (417) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Benefits Paid/Transfers | 2,492 | 3,080 | 67 | 64 | 31,550 | 32,870 | (120) | 90 | (30) | 90 |
| Balance at End of Year | (134,244) | (176,229) | (1,137) | (1,174) | (971,330) | (1,167,410) | (32,890) | (49,930) | (8,240) | (25,780) |

The liabilities under both the LGPS and Police Pension Schemes have increased during 2016/17. The principal reason for this increase is in relation to a change in financial and demographic assumptions by the scheme actuaries.

Accounting Policy – Post-Employment Benefits – Measurement of Liabilities

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 C3 on page 120).

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

Annex C – Technical Annex – Pensions Disclosures

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

| Reconciliation of Scheme Liabilities | PCC LGPS | | PCC LGPS | |
|---|------------------|------------------|-------------------|------------------|
| | Funded Benefits | | Unfunded Benefits | |
| | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s |
| Balance at Start of Year | (3,248) | (3,272) | (35) | (33) |
| Current service cost | (126) | (126) | 0 | |
| Interest cost | (107) | (116) | (1) | (1) |
| Contributions by Scheme Participants | (46) | (46) | 0 | |
| Remeasurement gains and (losses): | | | | |
| - Arising from changes in demographic assumptions | 0 | 39 | 0 | 0 |
| - Arising from changes in financial assumptions | 227 | (913) | 1 | (5) |
| - Experience gains/(losses) | 0 | (584) | 0 | (1) |
| Gains/(losses) on curtailment | 0 | 0 | 0 | 0 |
| Benefits Paid/Transfers | 28 | 90 | 2 | 2 |
| Balance at End of Year | (3,272) | (4,928) | (33) | (38) |

The liabilities under the LGPS Pension Scheme have increased during 2016/17. The principal reason for this increase is in relation to a change in financial and demographic assumptions

Annex C – Technical Annex – Pensions Disclosures

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

| Reconciliation of Scheme Assets | Group LGPS | | Group LGPS | |
|--------------------------------------|------------------|------------------|-------------------|------------------|
| | Funded Benefits | | Unfunded Benefits | |
| | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s |
| Balance at Start of Year | 105,548 | 109,158 | 0 | 0 |
| Interest Income | 3,615 | 3,938 | 0 | 0 |
| Remeasurements - Gains and (Losses) | (1,635) | 15,344 | 0 | 0 |
| Administration Expenses | (90) | (101) | 0 | 0 |
| Employer Contributions | 3,046 | 3,910 | 67 | 64 |
| Contributions by Scheme Participants | 1,166 | 1,098 | 0 | 0 |
| Benefits Paid | (2,492) | (3,080) | (67) | (64) |
| Balance at End of Year | 109,158 | 130,267 | 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 | |
| | 2015/16 £000s | 2016/17 £000s | 2015/16 £000s | 2016/17 £000s |
| Balance at Start of Year | 2,487 | 2,618 | 0 | 0 |
| Interest Income | 83 | 95 | 0 | 0 |
| Remeasurements - Gains and (Losses) | (36) | 926 | 0 | 0 |
| Administration Expenses | (3) | (3) | 0 | 0 |
| Employer Contributions | 69 | 116 | 2 | 2 |
| Contributions by Scheme Participants | 46 | 46 | 0 | 0 |
| Benefits Paid | (28) | (90) | (2) | (2) |
| Balance at End of Year | 2,618 | 3,708 | 0 | 0 |

Accounting Policy – Post-Employment Benefits – Measurement of Assets

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

Annex C – Technical Annex – Pensions Disclosures

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 2015/16 | | PCC 2016/17 | | Group 2015/16 | | Group 2016/17 | |
|------------------------------|------------|--------------|----------------|--------------|----------------|----------------|----------------|----------------|----------------|
| | | £000s | % | £000s | % | £000s | % | £000s | % |
| Equities | | | | | | | | | |
| UK Quoted | Y | 345 | 13.18% | 477 | 12.86% | 14,407 | 13.20% | 16,803 | 12.90% |
| Global Quoted | Y | 492 | 18.79% | 745 | 20.09% | 20,522 | 18.80% | 26,183 | 20.10% |
| UK Equity Pooled | N | 92 | 3.51% | 37 | 1.00% | 3,821 | 3.50% | 1,303 | 1.00% |
| Overseas Equity Pooled | N | 432 | 16.50% | 623 | 16.80% | 18,011 | 16.50% | 21,885 | 16.80% |
| Bonds | | | | | | | | | |
| UK Corporate Bonds | Y | 181 | 6.91% | 234 | 6.31% | 7,532 | 6.90% | 8,207 | 6.30% |
| Overseas Corporate Bonds | Y | 10 | 0.38% | 11 | 0.30% | 436 | 0.40% | 391 | 0.30% |
| UK Government Indexed Pooled | N | 469 | 17.91% | 723 | 19.50% | 19,540 | 17.90% | 25,402 | 19.50% |
| Property | | | | | | | | | |
| UK | Y | 202 | 7.72% | 260 | 7.01% | 8,406 | 7.70% | 9,119 | 7.00% |
| Property Funds | N | 94 | 3.59% | 115 | 3.10% | 3,929 | 3.60% | 4,038 | 3.10% |
| Alternatives | | | | | | | | | |
| Private Equity Funds | N | 55 | 2.10% | 93 | 2.51% | 2,292 | 2.10% | 3,257 | 2.50% |
| Infrastructure Funds | N | 144 | 5.50% | 219 | 5.91% | 6,004 | 5.50% | 7,686 | 5.90% |
| Real Estate Debt Funds | N | 18 | 0.69% | 33 | 0.89% | 764 | 0.70% | 1,172 | 0.90% |
| Private Debt Funds | N | 0 | 0.00% | 19 | 0.51% | 0 | 0.00% | 652 | 0.50% |
| Cash | | | | | | | | | |
| Cash Accounts | Y | 81 | 3.09% | 115 | 3.10% | 3,384 | 3.10% | 4,038 | 3.10% |
| Net Current Assets | N | 3 | 0.11% | 4 | 0.11% | 110 | 0.10% | 131 | 0.10% |
| | | 2,618 | 100.00% | 3,708 | 100.00% | 109,158 | 100.00% | 130,267 | 100.00% |

C3 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 2017. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

Accounting Policy – Pensions 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. For pensions, the material estimation techniques used are as follows:

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 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 2016/17 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 of 2.6% is appropriate.

Annex C – Technical Annex – Pensions Disclosures

The principal assumptions used by the actuary have been:

| Actuarial Assumptions | LGPS | | Police Scheme | |
|---|---------|---------|---------------|---------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| Mortality Assumptions: | | | | |
| Longevity at 65 for current pensioners: | | | | |
| - Men | 23.1 | 23.1 | 23.1 | 23.2 |
| - Women | 25.7 | 25.7 | 25.1 | 25.2 |
| Longevity at 65 for future pensioners: | | | | |
| - Men | 25.9 | 25.4 | 25.1 | 25.2 |
| - Women | 28.9 | 28.4 | 27.2 | 27.3 |
| Rate of Inflation (CPI) | 2.00% | 2.30% | 2.20% | 2.35% |
| Rate of increase in salaries | 3.50% | 3.80% | 1.00% | 1.00% |
| Rate of increase in pensions | 2.00% | 2.30% | 2.20% | 2.35% |
| Rate of Revaluation for CARE Pensions | - | - | 3.45% | 3.60% |
| Rate for discounting scheme liabilities | 3.60% | 2.60% | 3.55% | 2.65% |

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) | 97 | 4 | 3 | 3,494 | 123 | 92 |
| Rate of Inflation (increase by 0.1%) | 98 | 5 | 3 | 3,850 | 177 | 102 |
| Rate of Increase in Salaries (increase by 0.1%) | 19 | 0 | 1 | 919 | 0 | 25 |
| Rate for Discounting Scheme Liabilities (increase by 0.1%) | (97) | (5) | (1) | (3,770) | (169) | (56) |

Annex C – Technical Annex – Pensions Disclosures

Sensitivity Analysis – Police Pension Schemes

| Sensitivity Analysis - Police Pensions | Police | Group | Police |
|--|-----------|----------|----------|
| | Pensions | Pensions | Pensions |
| | 1987 | 2006 | 2015 |
| | Scheme | Scheme | Scheme |
| | £000s | £000s | £000s |
| Assumption Sensitivity | | | |
| Longevity (1 Year increase in life expectancy) | 29,900 | 1,100 | 600 |
| Rate of Increase in Pensions (increase by 0.5%) | 102,500 | 5,200 | 5,300 |
| Rate of Increase in Salaries (increase by 0.5%) | 9,900 | 3,700 | - |
| Rate for Discounting Scheme Liabilities (increase by 0.5%) | (105,800) | (8,300) | (4,400) |
| Early retirement (each member retiring 1 year later than expected) | (1,500) | (200) | 300 |

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

C4 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 16 years. Funding levels are monitored on an annual basis. The next triennial valuation will take place during 2019/20 based on the position at 31 March 2019. Any change in contribution rates as a result of this valuation will be applicable from 1 April 2020.

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 2018 are £2,854k (PCC single entity £84k). Expected contributions for the Police Pension Scheme in the year to 31 March 2018 are £9,564k.

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 | 2015/16 | 2016/17 |
|---|---------|---------|
| | Years | Years |
| Pensions Scheme | | |
| Local Government Pension Scheme - PCC | 21 | 20 |
| Local Government Pension Scheme - CC | 26 | 22 |
| Police Pension -1987 Scheme | 21 | 20 |
| Police Pension -2006 Scheme | 37 | 37 |
| Police Pension -2015 Scheme | 37 | 39 |



Police and Crime Commissioner for Cumbria

Annual Governance Statement 2016/17

Annex D – Annual Governance Statement

The Police and Crime Commissioner for Cumbria Annual Governance Statement 2016-17

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 published alongside the Annual Governance Statement on the Commissioner's website at www.cumbria-pcc.gov.uk

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 is 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 and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.** The Commissioner is responsible for reviewing, at least annually, the effectiveness of his governance framework including the system of internal control.

REVIEW OF EFFECTIVENESS

The key systems and processes that comprise the Commissioner's governance arrangements for 2016-17 have been guided by the seven core principles of Corporate Governance from the CIPFA/Solace Governance Framework applicable to the 2016-17 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

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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.
- A review of the governance arrangements in place to support each core principle, culminating in an updated Code of Corporate governance.
- A review of what has happened during the past year to evidence how the governance framework has been complied with.
- A review of the effectiveness of the arrangements for Internal Audit. The review is supported by consideration of the opinion of the Chief Internal Auditor, as set out in her annual report.
- A review of the effectiveness of the Joint Audit and Standards Committee against CIPFA guidance on Audit Committees for Police.

As part of the review process, the Annual Governance Statement (AGS) is prepared. Whilst no significant governance issues have arisen as part of the review for 2016-17, the AGS includes a plan that identifies areas for development and improvement. The AGS remains under review and subject to update during the audit of the financial statements.

Monitoring of the AGS is ongoing throughout the year and specifically the AGS action plan is subject to a formal half yearly review by the Joint Audit and Standards Committee. The following paragraphs

Seven Core Principles of Governance

- *Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*
- *Principle B: Ensuring openness and comprehensive stakeholder engagement*
- *Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits*
- *Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes*
- *Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it*
- *Principle F: Managing risks and performance through robust internal control and strong public financial management*
- *Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability*

set out the Governance Framework and how the Commissioner has complied with each of the seven 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.

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Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Ethics and Integrity

The Commissioner has in place arrangements for anti-fraud and corruption. The arrangements in place during 2016-17 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. 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.

During 2016-17, the financial regulations and financial rules were reviewed and updated. That process included aligning the format and presentation of the documents to aid their accessibility.

In 2016-17 The OPCC Grant Regulations were reviewed to align with the development of a new Police and Crime Plan. The process included aligning the format and content of the document to reflect

the changes in available funds and the strategic direction of the Police and Crime Plan. To facilitate this process and to ensure the Grant Regulations were reviewed in a thorough and systematic approach, staff from the Office of Police and Crime Commissioner and the Constabulary's Legal Services and Procurement Department worked collaboratively in aligning the Grant Regulations to reflect changes in legislation and strategic direction. A copy of the proposed draft Grant Regulations were submitted to the OPCC Executive Team and Joint Audit Standards Committee for consultation.

The Grant Regulations aim to ensure that grant awards are made in a fair, transparent and consistent manner, ensuring the highest standards of probity and accountability. They also ensure that the processes that underpin the decision making are robust and that the terms and conditions applied to grant agreements are appropriate to the amount of the grant award and the purpose of which it has been made.

Our procedures aim to safeguard public money, support decisions that direct funding towards activity and interventions that will have the greatest impact on reducing crime and reoffending and deliver the best possible outcomes for victims. The Grant Regulations operate alongside the Joint Procurement Regulations and OPCC Commissioning Strategy.

In support of the requirements for audit of the financial statements, the Commissioner has submitted to the External Auditor the 2016-17 fraud

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risk assessment. Management assurance is further supported through the completion by the Commissioner and all staff of a declaration of related party transactions.

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 2016 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 Ethics and Integrity Panel continue to provide independent oversight for the OPCC and Constabulary in relation to standards, ethics and integrity.

As part of the arrangements for complaints, the Commissioner also receives letters directly from members of the public. In 2016 he received 34 complaints, 30 of which were passed to the Constabulary to respond to as they were regarding matters beyond his jurisdiction. Of the remaining complaints, in each case it was determined that the issues raised were not personal conduct matters.

During the same period the Commissioner received 318 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 Crime Commissioner are dealt with by the Police and Crime Panel. During 2016-17 the Panel received two complaints regarding the previous Commissioner (Mr Rhodes) which were 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.

During 2016-17 the Ethics and Integrity Panel have carried out dip sample processes and thematic inspections for a number of different areas of business. For the OPCC these included the reviewing of complaints received and their handling in line with statutory legislation and guidance. In addition 'Quality of Service and Policing Issues' (QSPI) which were raised by members of the public were also reviewed. The Panel subsequently confirmed their assurance that they were dealt with appropriately. On a six monthly basis the OPCC analyse information relating to the QSPIs to identify any trends or patterns, how the OPCC has facilitated an outcome and any organisational learning for itself or the Constabulary. This is subsequently discussed with the Constabulary and reported to the Commissioner and the Ethics and Integrity Panel.

These include public complaints, police misconduct and staff misconduct cases all of which were found to support high standards of ethics and integrity. Following each session any actions identified were scheduled and monitored to ensure their completion. The Panel gained assurance that improvements previously proposed adopted by the Constabulary and OPCC were continuing to be used and developed further where necessary. These sessions also enabled the Police and Crime

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Commissioner to fulfil his statutory duty to have oversight of the Constabulary's complaints and misconduct processes.

Three thematic inspections were carried out during the year. These being in relation to the Constabulary's Performance Discretion Framework, the use of Stop and Stop/Search and the policing of the 2016 Kendal Calling Festival. These inspections enabled the Panel to take an independent review of the identified areas of work and gain assurance of the ethical standards used. They achieved this by carrying out dip sample sessions on all three areas of work and speaking with Constabulary lead officers and Chief Officers.

The findings of the Panel's work, including recommendations, have been reported on a quarterly basis to the Commissioner's Public Accountability Conference to improve transparency and support public scrutiny. The Joint Audit and Standards Committee received the 2016-17 annual report of the Ethics & Integrity Panel in May 2017 to support assurances in respect of arrangements for standards and ethical governance.

Respecting the rule of law

Officers within the OPCC receive updates on changes in legislation through their professional bodies, APACCE, PACTS, the APCC and from the government (Home Office, Ministry of Justice, GOV.uk) and other sources. Best practice advice is

similarly available. Local networks, such as the Cumbria Monitoring Officers' Group is another source of updates and peer support.

During the course of 2016/17 the OPCC has jointly funded a Legal Advisor post in the Constabulary's Legal Services Department that will directly support the OPCC. This post provides legal input on various legal documents (licenses, leases, collaboration agreements, etc.). The post holder also supports the procurement and grant aiding functions within the OPCC. The post holder will be fully engaged in the review of OPCC governance being undertaken during 2017.

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-assessment 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 are fully compliant with the CIPFA role. The role of the Joint Audit and Standards Committee has also been reviewed during 2016-17 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.

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Principle B: Ensuring openness and comprehensive stakeholder engagement

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Openness

The Commissioner operates in accordance with the Elected Local Policing Bodies (Specified Information) Orders of 2011, 2012, 2013 and the guidance provided by the Information Commissioner. This is demonstrated, documented and communicated through an information publication scheme that ensures the openness of all key information to the public.

To support openness 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 Accountability Conferences 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 April and May 2016 a section of the website provided information relevant to potential candidates for the Police and Crime Commissioner elections to be held in May 2016.

To promote openness and transparency, all Public Accountability Conferences have been advertised to allow members of the press and public to attend with agendas and papers published on the Commissioner's website and the local media informed.

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 2016-17 financial year the Commissioner made 32 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.

Unfortunately, on 18 January 2017 the OPCC website became unavailable due to technical issues experienced by the provider. The provider was unable to restore the website, but on 24 January was able to provide a link to an archived version of the website; on the same day a holding page was established using the functionality of the Constabulary website on which new items could be placed – both the holding page and archived site could be accessed through a Google search for the Commissioner/OPCC. The contract with the provider expired at the end of March and on 31 March a new website provided by a new supplier went live. Clearly there was a period of one week when the OPCC was unable – via the website - to fulfil its obligations under the Elected Local Policing Bodies (Specified Information) Orders of 2011, 2012, 2013. While not seeking to minimise this matter it should be viewed in the context that Google Analytics has shown that the number of people accessing information, other than during periods of recruitment or high profile media events, is not high and during the first three months of 2017 there were no requests made to the OPCC by

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telephone, e-mail or post seeking information that might otherwise have been available via the website. It is also the only time since the introduction of Police and Crime Commissioners that access to the website has not been available.

Engaging Comprehensively with Institutional Stakeholders

The Commissioner chairs the Safer Cumbria Direction Group which is both the county-wide Community Safety Partnership and Criminal Justice Board for Cumbria. As such it is composed of all the authorities and agencies involved in criminal justice in Cumbria, such as the County Council, District Council, Constabulary, CPS, Courts Service, probation bodies, the Prison Service, Local Safeguarding Children Board and others. It provides a valuable opportunity for stakeholders to discuss issues and consider jointly strategic priorities.

The Commissioner is also a member of the Cumbria Leaders' Board, which is the forum for the Leaders of all the public authorities (County and District Councils, Cumbria Association of Parish Councils) Health, the Local Enterprise Partnership and the Third Sector within Cumbria. It is the vehicle for discussion and consultation with this group of stakeholders.

During 2016-17 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.

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 provided secondary scrutiny for cases subject to audit at the Out of Court Scrutiny panel meetings.

During 2016-17 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.

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

The approach taken to develop the new Police and Crime Plan, published in November 2016, was endorsed by the Police and Crime Panel. In addition to consultation with stakeholders and the public to ascertain their views three key documents contributed to the development of the plan –

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Victims Needs Assessment, Young person's feedback via the 'Risky Business project' and a Sexual Violence Needs Assessment. The Police and Crime Plan states how the Commissioner will work in partnership to deliver the Police and Crime Plan where he advocates a 'we not they' approach.

The new Plan was reviewed and approved by the Police and Crime Panel and Constabulary prior to publication in accordance with statutory requirements.

Engaging Stakeholders Effectively including Citizens and Service Users

The Policing Protocol Order highlights the accountability of the Police and Crime Commissioner to local people. This responsibility is delivered through the OPCC 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.

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 OPCC on a regular basis formally reports to the Commissioner identifying trends and linking to the development of the Police and Crime Plan and decision making.

During 2016-17, one of the key messages that has been promoted is the Commissioner's ethos of 'we, not they', to emphasise that communities, stakeholders and partners need to all work together to help deliver the Police and Crime Plan, and keep Cumbria safe. In terms of delivering this message, and to increase the profile of the new

Commissioner, a wide range of activities were carried out, including:

- Public surgeries/drop-ins were held through May, June and July, in Barrow, Carlisle, Workington, Penrith and Kendal. Then during November and December they were held in Millom, Silloth, Wigton, Longtown Auction Mart, Kirkby Lonsdale, and J36 Auction Mart.
- The Commissioner carried out numerous speaking engagements including: Castle Sowerby Parish Council, Brough Parish Council, Rotary Club Carlisle, Lakes Parish Councils and Workington foodbank. Other venues include Mothers Union Maryport, Solway Community Technical College and Newton Rigg.
- The Commissioner also attended the Westmorland Show, Cumbria Pride, the Skelton Show and Wigton Carnival, Preston Military Show.
- He has met with a diverse range of community groups including Carlisle Youth Zone, Mencap, Cumbria Youth Alliance, AWAZ and Lesbian, Gay, Bisexual and Transgender (LGBT) groups.
- The Commissioner also undertook various media engagements to promote awareness and spread key messages. For instance in May he attended The Bridgeway Sexual Assault Referral Centre to help promote the county-wide Sexual Assault Support Services. He also attended an event at the LGBT HQ in

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Carlisle, to help promote International Day Against Homophobia.

- He attended The Well in Barrow, to see first-hand the work that is going on there which has been partly funded by the OPCC. The funding has enabled The Well Communities Project to recruit, train and develop a network of 10 peer-led recovery champions who will work with ex-offenders, veterans and others seeking recovery from drug and alcohol dependency. The champions will support and motivate people taking part in the Project to take control of their recovery, encourage individuals to train and gain new skills.
- He has met other community groups that have been funded by the OPCC, to help local people tackle some of the priorities in the Police and Crime Plan such as anti-social behaviour and projects aimed at crime prevention, and tackling crime and disorder. These include Wigton Amateur Boxing Club, Kie Skate Park, and Carlisle Youth Zone, where the OPCC funded a mentoring programme. The aim of the mentoring programme is to keep youngsters out of trouble, and Carlisle Youth Zone had developed a holistic preventative approach, targeted at those young people who are experiencing difficulties in their life, and who needed a positive role model. The programme, in its second year, is proving very successful, with many youngsters already benefitting from the experience.

- In October, the Commissioner took part in Advocates Against Abuse training, which he commissioned using Home Office Funding. The training aims to create a network of people that are able to offer support to victims of domestic abuse.
- The Commissioner also funded a survey through Outreach, to assess what barriers there are that stops those from the LGBT community reporting sexual assault.
- The Commissioner also part funds and makes use of Cumbria Community Messaging, which is managed by the Cumbria Neighbourhood Watch Association (CNWA), and offers people and communities across Cumbria the means to receive information from agencies in the county tailored to their particular preferences for content, priority and means of communication. It is a web based system and registration is quick, simple and completely free;
- The OPCC has a website which generally received about 1500 hits per month;
- We also maintain a social media presence, using Twitter and Facebook;
- A bi-monthly newsletter is also widely distributed, and provides a round-up of recent activity and announcements on forthcoming dates, consultations etc.

The Commissioner's Public Accountability Conference meets in public with meetings regularly attended by various representatives of the media and members of the public. There is a facility for

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members of the public to ask questions of the Commissioner, which has been used by one person in the course of the year, at the 6th September 2016 meeting. The media attend regularly with good coverage across the local media.

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.

Public consultation is one of the many methods of engagement that has been used this year. The Commissioner launched a public consultation on 20 June 2016, which ran until 12 August 2016, to establish what the public considered their policing priorities. This was to help shape the Police and Crime Plan for 2016-2020.

The consultation involved an on-line and paper survey, as well as a number of surgeries and roadshows across the county. In addition to the surgeries mentioned above, there were also roadshows in Whitehaven and Barrow, where the Commissioner and his staff encouraged people to share their views on policing priorities. He also hosted an on-line meeting, to offer an alternative way of engagement. The consultation received wide media and social media coverage.

The survey asked people to select from a list what they believed the top five policing priorities for Cumbria should be.

A total of 524 people completed the survey and the top five priorities were identified as:

- Ensuring the police tackle crime and anti-social behaviour;
- Providing a visible police presence;
- Tackling grooming and child sexual exploitation;
- Tackling domestic abuse;
- Improving services for people with mental health conditions and reduce the demand of crisis situations on the police.

This information, together with the feedback from other stakeholders and partners, the Chief Constable and the Police and Crime Panel, has been used to shape the Police and Crime Plan. The Plan was launched in November 2016. This is a good example of 'You said, we did'.

The Commissioner also carried out a 'light touch' consultation around the setting of the policing precept for 2017-2018 budget. The Commissioner, via social media, broadcast media and printed media, invited members of the public to get in touch to express their views on the proposal to set the precept at 1.91%. The Commissioner also consulted the Chief Constable and the Police and Crime Panel. The feedback from all areas was support for the increase, so that enabled the Commissioner to set the budget with a high degree of confidence that this represented the views of the public.

In terms of how public engagement feedback has been used to influence strategic decisions going forward, there are a number of areas where this can be seen:

The Police and Crime Plan – was developed through the consultation as described above;

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The Policing Budget - Previous and on-going consultation informed the decision on the level of police precept;

Quality of Service Issues – through the public raising issues, the Commissioner is able to raise concerns with the Chief Constable and monitor improvements, for instance complaints about the level of 101 call handling;

Good consultation – the range and diversity of communication and consultation methods has enabled us to demonstrate engagement across the demographics spectrum.

Going forward, there will be a focus on increased engagement with:

- agricultural/rural sector;
- business community;
- Youth community.

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 2016-17 work has been undertaken to identify trends in complaints and these have been reported to the Commissioner. 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.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Defining Outcomes

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. A new Police and Crime Plan was launched in November 2016, following the appointment of a new Police and Crime Commissioner for Cumbria.

The Police and Crime Plan 2016-2020 contains the police and crime objectives which all contribute toward achieving the PCC's overall aim 'to make Cumbria an even safer place'. Each objective is supported by actions that the Constabulary and/or partners will undertake to contribute to successful outcomes. These objectives and actions are underpinned by performance measures used to assess how well the objectives are being achieved. The performance measures are set out in the PCC's Performance Management Framework. The Accountability Framework, HMIC Inspections and Value for Money Reports support the Commissioner in holding the Chief Constable to account around the performance, efficiency and effectiveness of the force.

The priorities within the plan are to:

1 Your Priorities For Cumbria

- Get Feedback from members of the public across the county to understand what they think the Police's priorities should be;

- Support and enable community groups to prevent and tackle crime and disorder in their area;

2 A Visible and Effective Police Presence

- Look at how we provide visible uniformed policing in our communities. Make sure the Police are engaged in our local communities to understand local issues;
- Make sure the Police understand and are tackling the types of crimes which are affecting people today;
- Collaborate with other forces and agencies in specialist areas;
- Make improvements in the areas which recent inspections of the Police found could be done better;
- Make sure the Police are ready to deal with threats which develop in or affect a wider area than Cumbria, including civil emergencies/natural disasters, terrorism, cyber-attacks, organised crime and public order.

3 Tackle Crime and Anti-Social Behaviour

- Tackle domestic abuse early on to stop people suffering;
- Address hate crime and make it clear it will not be tolerated; Address crime which affects people in rural parts of the county; Be proactive in tackling anti-social behaviour;
- Make it easy and effective to report crime and anti-social behaviour; Tackle alcohol and substance misuse, including new psychoactive substances; Focus on serious and organised crime;

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- Target speeding and dangerous driving;
- Protect the vulnerable and elderly from crime e.g. cyber and online

4 Ensure Offenders Face A Consequence For Their Crime

- Manage offenders in the community after release from prison or a court sentence
- Give victims the chance to meet with or write to the person who committed the crime so they can explain the impact it has had (restorative justice)
- Make sure the Police give victims the opportunity to say how an offender should make amends for lower level crime (Community Remedy)

5 Always Put Victims First

- Support and give funds, where possible, to organisations offering help and support services to victims of crime, including enhanced services for more serious crimes and vulnerable victims;
- Listen to and stand up for the rights of victims;
- Make sure that agencies who work with victims of crime meet national standards (the national Code of Practice for Victims of Crime)
- Make it quicker and easier to get people who are having a mental health crisis to be taken to a place of safety and a suitable service so they get help quickly and police officers do not have to spend as much time doing this.

6 Focus our Police on Online and Sexual Crime

- Help members of the public to be aware of the risk of online crimes and keep themselves safe online;
- Prevent grooming, child sexual exploitation and sexual abuse;

- Make sure the Police have up-to-date information on crimes committed using a computer or computer network and that they are able to deal with this;
- Support services for victims of sexual crime, including child sexual exploitation and encourage more people to come forward.

7 Spend your Money Wisely

- Fight hard to protect the budget for policing Cumbria
- Stand up for Cumbria having its own police force
- Represent what Cumbria needs with national Government
- Make sure the Police are working as efficiently as possible;
- Look at how we can work with the Fire Service to make services better

8 Supporting Young People

- Set up a Youth Commission to get young people's feedback and engage them in helping to prevent and fight crime
- Improve how the Police interact with young people
- Support activities which provide positive opportunities for young people or which prevent young people from turning to a life of crime

Key performance indicators were set with the Chief Constable at the start of the financial year in support of the objectives within the new Police and Crime Plan. This is supported by a comprehensive Accountability Framework. The Accountability Framework, HMIC Inspections and Value for Money Reports support the Commissioner in holding the

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Chief Constable to account for performance of the force in relation to the effective and efficient way the force administers policing in Cumbria.

The Chief Constable is held to account for delivery of the objectives through the PCC's Public Accountability Conference, meetings are held bi-monthly and open to the public. A reporting Schedule is maintained and agreed with the Constabulary. The PCC monitors performance in a number of areas of policing including public protection (domestic abuse, sexual violence and child sexual exploitation), uniformed policing, offending and serious crime, rural crime, equality and diversity, finance, and ethics.

The PCC regularly reviews progress against his police and crime objectives. Where grants have been awarded, the awards ~~will~~ have been made against the timescales and milestones for delivery and included agreed success criteria or performance measures. The Partnerships and Commissioning Team have developed contract and grant management mechanisms for mitigating risks around non-delivery of service and for evaluating the progress against agreed milestones.

A Commissioning Strategy and framework combining procurement, partnership working and contract management; which describes our commissioning vision and objectives is currently under review. The document seeks to define how commissioning will support the challenges in Cumbria associated with empowering local communities and victims of crime; using innovation and shared working arrangements to tackle and prevent crime at its source and applying resources intelligently to secure effectiveness, efficiency and value for money. The strategy is intended to be

applied equally across the duties and responsibilities held by the Police and Crime Commissioner and wider partners.

The document defines commissioning and outlines the vision, values and principles that will underpin the commissioning of services by Cumbria Police and Crime Commissioner. The strategy looks at the drivers for change at a national and local level and describes the information used to support change and how it will be delivered at a local level.

Sustainable economic, social and environmental benefits

The Head of Partnerships and Commissioning ensures that the services commissioned are consistent with the PCC's objectives as set out in the Police and Crime Plan 2016-2020. For the financial year 2016/17, the PCC committed over £1.5m to projects and initiatives aimed at reducing offending and re-offending and supporting victims of crime. A significant proportion of that funding has been committed to supporting the reduction in domestic abuse and sexual violence, including a perpetrator programme 'Turning the Spotlight' aimed at changing behaviours of perpetrators whilst supporting the family in a holistic approach.

A joint **Social Value Policy** is in development between the Office of Police and Crime Commissioner and Constabulary Procurement Department. The document sets out the journey and aims to demonstrate how Cumbria will implement the Public Services (Social Value) Act 2012, how Cumbria will deliver social value through its commissioning and procurement activities, and set out Cumbria's priorities in relation to social value. The policy will require Cumbria and our suppliers to take

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responsibility for what is commissioned and procured, and to ethically and legally support us in delivering our social value priorities.

The policy will support existing organisational priorities, such as those included in the police and crime plan.

A comprehensive medium term financial strategy covering 2016-2020 was approved as part of the 2016-17 budget process. The strategy incorporated key objectives guiding the delivery of financial governance arrangements. It was supported by the financial services business plan setting out performance measures and targets for the 2016-17 financial year.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Planning & Determining Interventions

During the course of 2016/17 the Commissioner's Public Accountability Conference received Constabulary assurance 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 2016 were assessed as 'good' for legitimacy and efficiency and 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.

Cumbria 'Out of Court Disposal Scrutiny Panel' was established in 2013 and is chaired by the Office of Police and Crime Commissioner. The intention of the panel is to provide transparency and accountability and to increase the public's understanding, confidence and trust in how the Constabulary uses OoCDs, with particular focus on the delivery of appropriate and proportionate justice. The purpose of the Scrutiny Panel is to independently review a selection of anonymised cases that have been resolved by use of an out of court disposal. The scrutiny panel has no referral or appeals capability and is not intended to re-judge cases. It will assess the relevant process, interactions and decisions to identify any areas for development and continuous organisational learning.

Out of Court Disposals allow the police to deal quickly and proportionately with low level, often first time, offending which can be appropriately resolved without a prosecution at court. Delivered ethically, effectively to the right people and in the right circumstances they provide swift and meaningful justice for victims, hold offenders accountable for their actions and reduce re-offending. The aim of the panel is to determine whether the method of disposal is considered appropriate, based on a review of the information/evidence available to the decision maker at the time.

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

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- 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 alcohol and drugs abuse, 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.

During the year crime levels, public satisfaction and police performance have been regularly monitored and publically challenged through the Commissioner's Public Accountability Conference, regular performance review meetings and alongside audits and visits to departments.

The new Commissioner approved his first budget on February 22nd 2017 alongside a funding agreement that provided a £111m net revenue budget to the Chief Constable. The budget included funding to direct resources towards areas experiencing pressures and to respond the changing demands. This included funding for additional investigators in response to the growth in historic cases. Resources have also supported the continuity of temporary funding for quality case management. This funding aims to improve outcomes for victims, increasing the capabilities to identify suspects and strengthen arrangements for criminal justice.

The most significant factor influencing financial strategy and planning is the government's review of

police formula funding. The outcome of that review has the potential to make a stepped change to the Home Office Police Grant. Announcements are expected early in the new financial year. The 2017-18 budget process has updated financial forecasts on the basis of the current Police Grant settlement. Financial resources are broadly consistent with previous years and this has supported continued stability in the number of Police Officers and Police and Community Support Officers.

During 2016-17, to prepare for funding announcements and the likely need for review of financial and operational resource allocations, a number of strategic sessions have been held jointly between the Commissioner and Chief Constable and their respective senior teams. This has focused attention on the current and likely future levels of incident demand and reviews of community policing, command and control and crime command. This work is being supported by commissioned work with independent academic colleagues. This aims to build a stronger understanding of the resource implications of demand within neighbourhood policing teams and roads policing. The evidence and data collected through this work will be used to support representations on formula funding and future financial planning. It aims to ensure forward decision making is robust and that the impact of changes to funding on services and outcomes are fully understood.

Optimising Achievement of Intended Outcomes

The medium term financial strategy, incorporating financial modelling, operational plans and capital strategies will be updated in 2017-18 following

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expected announcements on the formula funding settlement for Cumbria.

The current strategy covering the years 2016-2020 sets out financial plans for revenue on a four year basis and 10 year capital plans. Whilst longer term funding is uncertain, the expenditure projections provide estimates of future costs and have supported the Commissioner in determining the balance of resources to allocate to policing verses community safety interventions, victim support services and wider criminal justice initiatives. The strategy has responded to the need for a balanced budget through a combination of detailed change programme plans within the Constabulary and reductions in the Commissioned Services Budget. The later decision has been influenced by work to benchmark commissioning services expenditure between statistically neighbouring authorities.

All objectives within the medium term strategy governing financial management and administration where achieved during 2016-17. The strategy was supported by the finance service business plan that sets out performance measures and targets for the financial year. During 2016-17 the substantial majority of targets were met. The most significant exception was in respect of capital budget monitoring targets. This was due to significant slippage on the capital program that has arisen following in year operational decisions to change the programming of capital schemes.

The Victims Advocate conducted a victim's needs assessment in 2016/17. 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, child sexual exploitation, cyber-crime and youth justice. Working with a wide range of partners, the report 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 Victims Needs Assessment outlined progress since the previous reports, identified gaps in victims' service provision and emerging themes and provided an evidence base for future commissioning. Following on from the recommendation of the review and in line with his commitment to keeping victims safe and at the heart of the Criminal Justice system, Cumbria's Police and Crime Commissioner has;

- Funded Independent Domestic and Sexual Violence Advisors in hospitals
- Established a Victim Care Unit in Cumbria to ensure a more efficient and effective referral service for victims in Cumbria.
- Provided funding for Cumbria Restorative Services Hub allowing victims to engage in Restorative Justice Practices.

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- Funded ‘Chelsea’s Choice’ a production for children raising awareness of Child Sexual Exploitation
- Funding the countywide Independent Domestic Violence Advisor service in partnership with the County Council.
- Funded dementia projects aimed at reducing risk and supporting suffers and families whilst reducing demand on police resources.
- Established two Vulnerable Localities Index in Ormsgill in Barrow and Mirehouse in Workington aimed at preventing young people becoming engaged in crime and anti-social behaviour.
- Commissioning **Victim Support** to provide emotional, practical, advocacy and signposting services.
- Funded a support service for victims and witnesses attending **Coroner’s Courts**.
- Continued to develop and fund the **Bridgeway Sexual Assault Support Services** which includes forensic examination and other health services, emotional support and counselling will be available in Cumbria for all victims of sexual assault, whether reported or not.
- Introduced county-wide Perpetrator Programmes **“Turning the Spotlight”** in respect of domestic abuse in adolescent relationships, where domestic abuse is occurring between children and their parents and with a holistic approach working with whole families.
- Introduced a county-wide Perpetrator Programme addressing **Hate Crime**.
- Funded **‘I Feel the Hate’** Hate Crime production for children, raising awareness of the issues and impact of such crimes in respect of all strands of diversity.
- The **Cumbria Together** website www.CumbriaTogether.com has been developed with the purpose of providing an Information Portal bringing services and information about what is available for those affected by crime together irrespective of whether the crime has been reported or not to statutory agencies.
- Commissioned a service **‘Keep Safe’** to develop county wide target hardening services across Cumbria for victims of crime and anti-social behaviour.
- Funded **“Brake”** specialist support for bereaved families of victims killed as a result of Road Traffic Accidents.
- The Commissioner’s Innovation, Community and Property Funds also continue to provide financial support for numerous projects working with victims across Cumbria. [Community Fund](#), [Innovation Fund](#) and [Property Fund](#)

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Developing the entity's capacity

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.

During 2016-17 the Commissioner has reviewed the arrangements for the structure of the office. The Joint Audit and Standards Committee received a report in March 2017 benchmarking costs. That report confirmed that the structure and total running costs of the OPCC remain competitive compared to statistical neighbours.

Following the structure review and from April 2017, the Commissioner and Chief Constable have determined to put in place an arrangement for a shared Chief Finance Officer. This recognises the level of duplication within these roles and will reduce costs in the context of increasing budget pressures. To ensure the effectiveness of that role in supporting both entities a number of governance arrangements have been put in place. These aim to ensure independent support to both entities where

needed and cover arrangements to manage conflicts of interest should they arise:

- The structure includes a Joint CFO and a Joint Deputy CFO, both required to be a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).
- Reasonable reliance is placed on the post holders' compliance with the CIPFA Standard of Professional Practice on Ethics
- Job Roles for the Joint CFO are based on the CIPFA statement on the role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable.
- The role of the Joint CFO is reviewed annually against the CIPFA statement with an opinion on compliance. The review and opinion will be subject to the professional advice of the Joint Audit and Standards Committee.
- The Joint CFO and Joint Deputy CFO will engage in the Police and Crime Commissioners Treasurers Society (PACCT's) mentoring scheme.
- A formal agreement is being put in place through a strategic partner policing body for external advice to the Police and Crime Commissioner or the Chief Constable where there are conflicts of interest that either entity determine should be managed externally.

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The leadership structure will remain under review during 2017-18 as a result of the planned retirement of the Chief Executive and wider responsibilities around blue light collaboration.

Procurement regulations were subject to fundamental review and update during 2015-16 with some further minor amendments in 2016-17 in respect of late tender procedures. Relevant staff have received copies of the updated regulations which were further supported by a revised procurement strategy approved in February 2017. The strategy includes a detailed action plan that continues to drive forward improvements in procurement activity and processes to deliver best value from the supply chain. Estates procurement has seen some significant successes in driving down costs whilst delivering high quality buildings with the overall service and building costs benchmarking very competitively.

Developing the entity's leadership

The Chief Executive receives support 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. There are also quarterly regional meetings of Police and Crime Commissioners and Chief Executives. 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 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 2016-17 this has included analysis of the Police Grant Settlement, the Chancellors budgets, and a number of financial surveys and reports to support benchmarking and comparisons on budget assumptions and reserves. Officers within the finance team have attended annual technical update and development events run by CIPFA and the Deputy CFO has attended a number of national events in preparation for blue light collaboration.

During 2016-17 members of the Audit and Standards Committee have undertaken a full programme of development activity. This has included a day overseeing operational policing activity, a session contributing to the new Police and Crime Plan and seminars on treasury management and the medium term financial forecasts.

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 2016-17 implemented areas identified

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for development from the 2015-16 review. Further areas for development are identified for 2017-18 to provide for continuous improvement. The full report of the Committee can be found on the Commissioner's website at:

<https://cumbria-pcc.gov.uk/finance-governance/budget-finance/joint-audit-and-standards-committee/>

There have been a number of changes of personnel on each of the Custody Visiting Panels during this year, some of these due to volunteers having completed nine years on the scheme. The Scheme Administrator has run a number of recruitment campaigns to attract new candidates for appointment. Induction training courses have been run for newly-appointed visitors in Barrow, Carlisle and Kendal throughout 2016-17. Membership of the four panels at the end of 2016-17 stood at Barrow 10; Kendal 9; North Cumbria 12 and West Cumbria 11.

In the period 1 February 2016 to 31 January 2017 they made 213 visits, spoke to 266 detainees and observed a further 73 detainees. No serious issues were raised during any of the visits. Data relating to the visits is provided to ICVA on a quarterly basis who subsequently provide the information to the Home Office, ensuring that the Commissioner is complying with his statutory duty.

In 2016 the OPCC became a member of the Independent Custody Visitors Association (ICVA). ICVA is a Home Office and PCC funded organisation set up to promote and support the effective provision of custody visiting nationally. They work

closely with government and criminal justice organisations providing advice to OPCC's on best practice for independent custody visiting schemes and bespoke training.

Cumbria's Scheme Administrator attended the ICVA Scheme Administrator's conference on 31 October 2016. The conference saw guest speakers talk about the Appropriate Adult Service, the Children's Concordat, the safeguarding of vulnerable people in custody; along with guest speaker Dame Anne Owers from the Independent Police Complaints Commission. It also provided an opportunity to speak with colleagues from other schemes, discussing common themes and issues, enabling the development of a national support mechanism. As part of the membership package individual ICVs are also eligible to attend the National Custody Visiting Scheme conference which was held on Saturday 11 March 2017. Four representatives from the scheme attended and heard from a variety of speakers, some of whom had themselves spent time in custody suites and talked about their experiences. Other seminar topics included the Liaison and Diversion scheme, vulnerable people in custody and a representative from the St Giles Trust who help to re-habilitate offenders.

The Cumbria ICV Annual Conference was held on Saturday 8th April 2017 with 30 Custody Visitors attending. The Commissioner opened the conference and held a question and answer session along with the Deputy Chief Constable. Among the topics this year was: Changes within Custody; Constabulary Dogs and the Animal Welfare Scheme; and Mental Health Awareness. The delegates undertook a number of workshop exercises focusing on developing good practice in Custody Visiting and

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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 15 October 2016. The event covered a range of issues including Police Interview Skills, Alcohol and Substance Misuse; a Quiz on PACE; Arrest and Restraint Techniques and discussion workshops.

The Animal Welfare Scheme, which looks at the welfare of police dogs, is composed of eight volunteers drawn from the ICV scheme who have been appointed to undertake this role. The Civil Nuclear Constabulary also utilise the eight volunteers from the Animal Welfare 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 2016-17 the Ethics and Integrity Panel has continued to develop and enhanced its role. This has included undertaking "thematic inspections" 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 was reviewed again in August 2016 to assess the progress and development of the Constabulary. They found that over 96% of forms were correctly completed compared with previous findings. The Panel also reviewed the Constabulary's ethical decision making regarding the Kendal Calling Festival and the organisers wish to have a procedure

whereby those attending the event could have drugs tested. Having considered all information they felt that the Constabulary had made a reasoned decision and the benefits being borne out with no drugs related deaths occurring at the 2016 event.

In undertaking these new activities the focus of the Panel has been on the ethical implications of the proposals or the way in which the activity is undertaken.

Developing the capability of individuals within the entity

The OPCC has its own set of HR Policies for key policy areas. The policies were reviewed in January 2016 with a further comprehensive review in 2018. Additional HR support is provided by a professional HR third party as and when is required.

During 2016-17 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.

All staff within the office participate having undertaken 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

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management, project management, equality and diversity, risk management, coaching and fire safety.

The OPCC is constantly evolving and it is planned that there will be a further review of job descriptions during the next 12 months to ensure that they are fit for purpose.

Finance staff with treasury management responsibilities have held regular 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 for members of the Joint Audit 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.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Managing risk

During 2016-17 arrangements for risk management have continued to build upon the work carried out in the previous year to develop arrangements for managing the Commissioner's risk. During the year the Commissioner's Risk Management Strategy was reviewed and updated to reflect the current risk environment. The updated strategy was supported by the Joint Audit and Standards Committee and would going forward be reviewed on a three year basis.

Risk has become embedded within the everyday work of the OPCC, staff continually assess risks within their roles and when preparing reports or decisions a specific area to highlight associated risks is included. Both strategic and operational risks are reviewed on a quarterly basis and appropriate updates made.

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. Following a review of the arrangements in 2015-16 the Business Continuity Plan continues to be reviewed to ensure that it is fit for purpose, with updates and testing occurring throughout the year.

Arrangements for Risk Management have been further assured through the delivery of the 2016-17 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 232 to 269 (including 15 days carried forward). This is as a consequence of widening the areas of audit coverage in line with the public sector internal audit standards.

Managing Performance

The Public Accountability Conferences facilitate arrangements for the scrutiny of quarterly performance updates and thematic reports around priority areas of policing including, domestic abuse, child sexual exploitation, sexual offences, rural crime, anti-social behaviour and reducing reoffending. This is supported by regular one to one meetings between the Chief Constable and Commissioner.

The PCC and Chief Constable carry out a large number of internal inspections each year. These are undertaken by either the Constabulary itself or through the joint programme of linked audits undertaken by internal and external auditors. There are also a number of external inspections undertaken of the Constabulary, by Her Majesty's Inspectorate of Constabulary (HMIC). Reports from external inspections are considered by the PCC. Where actions are required and as appropriate the necessary improvements are monitored by the PCC through the Public Accountability Conference and progress against action plans. All HMIC inspections of the Constabulary are available on the PCC's

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website. The robust and effective arrangements ensure that policing services are delivered in accordance with the PCC's objectives.

The Police and Crime Panel have met five times during 2016-17. 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 2016-17 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.

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. 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 2016-17 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.

On January 23rd 2017 the Panel considered the matter of the Commissioner's proposed precept. As part of this process the Panel held a seminar 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 2016-17. The Panel decision was that they support the proposed police precept without qualification or comment.

Robust Internal Control

During 2016-17 a number of areas of the corporate governance framework have been subject to cyclical review and update. This process is supported by the professional advice of the Joint Audit and Standards Committee. The Committee has conducted five public meetings during 2016-17 and undertaken a significant amount of work to scrutinise and make recommendations in respect of the Commissioner's arrangements for governance risk management and internal control. This has included scrutiny of the Financial Regulations and Financial Rules, Grant Regulations, the Code of Corporate Governance, Risk Management Strategy, the Internal Audit Charter, Treasury Management Strategy, Statement of Accounts and Annual Governance Statement.

Internal controls have also been reviewed through the annual process of management assurances and the annual internal audit plan. Of the 20 audits conducted through the plan, 70% 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 2016-17 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 2016-17 the Joint Audit and Standards committee have received

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quarterly reports monitoring the implementation of all audit recommendations.

Managing Data

The OPCC operates within the parameters of legislation governing the protection of data, ensuring that all data is appropriately stored and shared where necessary. Data is held in accordance with the COPCC Retention Schedule, removed or destroyed appropriately and is not held for longer than necessary. Access to information is restricted to appropriate staff.

In 2016-17 the Commissioner received 38 requests from members of the public for information under the Freedom of Information Act. Of those received the OPCC held information relating to 18 of the requests with the remaining 20 being transferred to the Constabulary to deal with. Each request was dealt with within the 20 working day timescale. No Subject Access Requests were received seeking personal data under the Data Protection Act. A number of staff within the OPCC are trained to deal with requests for information. Physical data within the OPCC is held securely with appropriate office and cabinet security provided.

To ensure openness and transparency the OPCC publishes its procedures for dealing with Freedom of Information Requests enabling it to meet its statutory obligations under the Act. It also publishes the requests it has received and responses provided on a monthly basis on the Commissioner's website.

During 2016-17 reports to the Ethics and Integrity Panel were provided regarding the OPCC's compliance with the Freedom of Information Act

and the Data Protection Act. Through this independent scrutiny the Commissioner can gain assurance of compliance. The Panel also considers information relating to the Constabulary's compliance with both Acts.

In May 2018 the General Data Protection Regulations will replace the Data Protection Act 1998. The OPCC will be carrying out work to ensure that it is prepared and compliant with its data processing when the new regulations come into force.

Strong Public Financial Management

At the Executive Board meeting of 24th February 2016, Mr Rhodes, the former Commissioner, set the 2016-17 annual budget and precept in the context of a medium term financial strategy 2016-2020. In line with his duty to maintain the police force the Commissioner agreed a net budget of £111m for the Chief Constable for the 2016-17 financial year and a funding arrangement that codifies the terms for that funding including arrangements for financial management. The budget included £2.5m funding for 2016-17 within a commissioned services budget for victims, community safety and crime reduction. These budgets operate in partnership with the District and County Councils, Community Safety Partnerships and wider community and voluntary Sector groups.

During 2016-17 Mr McCall, the newly elected Commissioner, received a suite of financial reports in line with the arrangements for financial management. This has included revenue and capital budget monitoring and treasury management activities reporting. Reports for 2016-17 have adopted a new format to assist with their public

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accessibility and are published on the Commissioner's website.

The Commissioner has also approved a revised and updated set of financial regulations and rules as part of the cyclical review processes for financial management. The new documents have been re-formatted and aligned to assist users in navigating and understanding their content. The outcome of all audits of financial arrangements during 2016-17 was an opinion that provided either reasonable or substantial assurance.

During 2016-17 budget resources and the impact of formula funding remained the Commissioner's single strategic risk. A number of mitigation measures have been put in place including work to financially model the impact of funding losses and membership of the National Rural Crime Network (NRCN). Through the NRCN, studies have been commissioned to demonstrate the costs of delivering rural policing services. The medium term financial strategy sets out the full range of financial risks and how they are managed.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Implementing good practice in transparency

During 2016-17 the Commissioner has prepared for publication a first 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.

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 2016-17. Monitoring reports have been developed to present a revised, shorter and more succinct format that aims to increase the transparency and accessibility of financial information. Further to this, the reported financial statements published in May 2016 introduced the statutory Chief Finance Officers’ Narrative Report. The Narrative report incorporates a more accessible summary of the statements and financial and performance information alongside a business review.

The media is used as a very traditional way to communicate to the people of Cumbria. More and more communication including the OPCC is being driven towards social media and this is important when wanting to engage with young people. The website is also key for people to gain information.

The Commissioner in March 17 launched a new website following some technical issues with the previous website. Despite the technical issues for eight weeks through the transition stage to the new website the OPCC was always able to maintain a web presence with news items and full contact details.

The new website is designed to provide a much better interactive experience for visitors and easier access to information.

Implementing good practices in reporting

The Commissioner’s activities, performance and achievements will be published in an annual report. The Commissioner’s first annual report covers the period from 12 May 2016 to 31st March 2017. The Annual Report will be presented to the Police and Crime Panel at their meeting on 18 July 2017 and published soon after that. The Annual Report can be found on the Commissioner’s website at www.cumbria-pcc.gov.uk. It will highlight the commissioner’s key achievements during his first year, including:

- Published the Police and Crime Plan, 2016 – 2020, following a public consultation;
- Agreed and set the policing budget for 2017-2018;
- Launched the Cumbria Youth Commission;
- Funded numerous community projects ;
- Launched a new, refreshed website, to increase accessibility and improve the user experience;

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In April 2016 a new Code of Corporate Governance was adopted in line with the 2016 CIPFA Good Governance Framework for Local Government. The Code was revised and updated during the year to reflect developments and changes to arrangements following the election of Mr McCall as the Police and Crime Commissioner for Cumbria.

The internal audit plan for 2016-17 included an audit of the Code to provide assurance that CIPFA good governance framework had been met within the revised internal arrangements. That audit provided reasonable assurance and made one recommendation that has been fully adopted. Review of the arrangements for internal audit have confirmed that the service meets the requirements of the Public Sector Internal Audit Standards (PSIAS) during 2016-17. The Internal Audit Plan also includes an audit of this annual governance statement.

On 23rd May 2016 the Commissioner approved the 2015-16 unaudited financial statements. The audited financial statements were published on 28th July 2016, resulting in the early achievement of the future financial reporting requirements. This benchmarked as one of the earliest OPCC offices to publish both the audited and unaudited financial statements. It was noted in the External Auditor's Audit Findings report that the accounts were prepared in advance of the statutory reporting timetable and to a good standard. The finance team's work on financial reporting and accessibility has been included in a nomination to the 2017 Public Finance Innovation Awards. The team were shortlisted in February 2017 for the award category of Finance Team of the Year. The awards will be announced in April 2017.

Assurance and effective accountability

The external auditor's opinion for the 2015-16 financial year 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 Annual Audit Letter that the Commissioner had proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

Implementation of recommendations arising from the internal audit plan, external audit reports and HMIC actions relevant to governance have been monitored during the year through the Joint Audit and Standards Committee. At the March 2017 meeting the Committee were monitoring 5 actions carried forward from audit and inspection reports during the year. All other actions and recommendations were fully implemented with only one action recorded as being beyond its target date.

The Ethics and Integrity Panel monitors and reports on some specific areas of activity, such as complaint handling and ethical issues. The Panel has carried out a series of thematic inspections into specific areas of Constabulary activity. These being the Performance Discretion Framework, the use of Stop and Search Powers and the Kendal Calling Festival.

The Panel were able to look objectively at these areas, provide valuable independent scrutiny and feedback to the Constabulary on their findings; and provide assurance to the Commissioner.

Annex D – Annual Governance Statement

APPENDICES TO THE ANNUAL GOVERNANCE STATEMENT

- Appendix A: 2016-17 Development And Improvement Plan Update
- Appendix B: 2017-18 Development And Improvement Plan

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:

Office of the Police & Crime Commissioner

Carleton Hall

Penrith

Cumbria CA10 2AU

Telephone: 01768 217734

E-mail: commissioner@cumbria-pcc.gov.uk

*Peter McCall

Police and Crime Commissioner for Cumbria

*Stuart Edwards
Chief Executive

*Roger Marshall
Joint Chief Finance Officer

21 July 2017

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

Annex D – Annual Governance Statement

APPENDIX A - OFFICE OF THE POLICE AND CRIME COMMISSIONER 2016/17 DEVELOPMENT AND IMPROVEMENT PLAN

| Ref | Action | Responsibility | Detail | 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 | Completed - The audited statement of accounts for 2015/16 were signed and published on 28 July 2016. | 31-Jul-16 |
| 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 | Partially completed - The Victim's Quality Framework has been developed and is in the initial pilot stage phase to establish partnership baselines. | 31-Dec-17 |
| 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 th July 2016. | Head of Partnerships and Commissioning | Completed - Arrangements for scrutiny of the constabulary performance have been reviewed. The first Public Accountability Conference held 6th July 2016 | 31-Jul-16 |
| 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 | Completed - The new Code of Corporate Governance was reviewed by members at the March JASC meeting and signed by the outgoing Commissioner to be effective from April 2016. This was further revised during 2016-17 to provide for the new Commissioner's arrangements. | 30-Jun-16 |
| 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 | On-going - Phase one of the project, a 24/7 triage service, launched in October 2016 giving the Police and other blue light services access to a 24/7 support when dealing with mental health issues. Phase two, the assessment centre has been delayed by recruitment difficulties and is now scheduled to open in September 2017. | 31-Mar-18 |
| 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 | Completed - Following a successful EU procurement process Remedi have been appointed to embed RJ in Cumbria. The new service has been launched and will be monitored against outcomes identified in the contract. | 31-Mar-17 |
| 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 | Completed - The Police and Crime plan is being finalised and was launched in late November/December | 31-Dec-16 |
| CP3 | Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour. | | | |
| 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 | On-going - The OPCC Chief Executive and the Deputy Chief Constable have discussed the remit of the Panel with a view to it adopting a more pro-active role. This approach has been endorsed by both the Police and Crime Commissioner and the Chief Constable. This approach has been discussed with the Panel who are supportive of a move towards a more pro-active, in-depth scrutiny role. The Panel work plan for 2017 is now being developed to reflect this with two of the four meeting days set aside for in-depth scrutiny of specific areas of activity. | 30-Mar-17 |

Annex D – Annual Governance Statement

APPENDIX A - OFFICE OF THE POLICE AND CRIME COMMISSIONER 2016/17 DEVELOPMENT AND IMPROVEMENT PLAN

| Ref | Action | Responsibility | Detail | Deadline |
|------------|---|---|--|-----------|
| 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 | Completed - Following the September meeting of JASC members received an update on the Commissioner's Police and Crime Plan prior to finalisation. | 30-Sep-16 |
| 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 | Completed - The annual work programme for JASC now includes a schedule of development sessions. In addition, a Constabulary induction day for members was provided on 18 October 2016. | 30-Sep-16 |
| 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 | Completed - The review was launched at the Cumbria Independent Custody Visiting Conference in April, which was followed by an initial discussion with ICV Panel Chairs and Vice-Chairs to discuss the scope of the review. The review was discussed at the June round of Panel meetings. A survey was developed and shared with Chairs and Vice-Chairs before circulation to all Custody Visitors. The survey results have been shared with all Custody Visitors at the October round of meetings. Proposals have now been developed taking account of the outcome of the survey and discussed with Panel Chairs and Vice-Chairs. | 30-Mar-17 |
| 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 | Completed - A range of engagement events have taken place in the Commissioner's first six months. The strategy has been updated to reflect feedback from the public and Commissioner about engagement events and was formally approved by the Commissioner | 30-Sep-16 |
| 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 | Completed - The new Police and Crime Plan incorporating how the PCC will work with partners was launched in November/December. | 31-Dec-16 |
| 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 | Partially completed - Following work to develop The new Police and Crime Plan work has been progressed to review the Commissioner's commissioning strategy. This work has now been commissioned from the Constabulary and is now scheduled for completion in Dec 2017. | 31-Dec-17 |

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APPENDIX B - OFFICE OF THE POLICE AND CRIME COMMISSIONER 2017-18 DEVELOPMENT AND IMPROVEMENT PLAN

| Ref | Action | Lead Officer | Implementation by |
|---|--|--|-------------------|
| Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and | | | |
| CPA/1 | Continue to develop 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. The subjects for in depth pro-active scrutiny will be determined during the course of the year. | Chief Executive | 30-Mar-18 |
| CPA/2 | In January 2017 the Police and Crime Bill received Royal Assent and was enacted into law. The Act provides Commissioners with an explicit responsibility for the performance of the complaints system locally, responsibility for appeals currently heard internally by police forces and the ability to take on further functions in relation to public complaints. The OPCC will be working to develop a process to deal with appeal files utilising guidance to be produced by the Home Office and the Independent Police Complaints Commission. The implementation of the appeals process will take place in June 2018 | Governance Manager | 30-Jun-18 |
| Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement. | | | |
| CPB/1 | During 2017-18 the OPCC will seek to establish an annual programme of work with the Police and Crime panel | Head of Partnerships and Commissioning | 30-Sep-17 |
| CPB/2 | During 2017-18 the Head of Partnerships and Commissioning will seek to commission a provider to establish and embed a Cumbria Youth Commission | Head of Partnerships and Commissioning | 30-Sep-17 |
| Core Principle C: Focusing on defining outcomes in terms of sustainable, economic, social and environmental benefits | | | |
| CPC/1 | The Commissioner is working with health and local government partners to improve services for victims with mental health issues. Phase 2 of the project the a multi-agency assessment centre is now scheduled for Sept 2017. | Head of Partnerships and Commissioning | 30-Sep-17 |
| CPC/2 | During 2017-18 the OPCC will monitor delivery against the objectives laid out in the Police and Crime plan and refresh the underpinning delivery plan on an annual basis | Head of Partnerships and Commissioning | 31-Mar-18 |
| Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended | | | |
| CPD/1 | During 2017-18 The Head of Partnerships and Commissioning will continue to take forward work to develop and implement 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-Dec-17 |
| CPD/2 | Develop a joint Social Value Policy with the constabulary | Head of Partnerships and Commissioning | 30-Sep-17 |
| Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and the | | | |
| CPE/1 | A formal protocol for the identification and handling of conflicts of interest in relation to the joint CFO role will be put in place. | PCC Chief Executive | 30-Jun-17 |
| CPE/2 | A formal review of the effectiveness of the Joint CFO role will be undertaken against the CIPFA standard on the role of the CFO. | PCC Chief Executive | 31-Mar-18 |
| CPE/3 | Review the leadership structure of the OPCC and related job descriptions | PCC Chief Executive | 30-Sep-17 |
| Core Principle F: Focusing on managing risks and performance through internal control and strong public financial | | | |
| CPF/1 | During 2017-18 the Head of Partnerships and Commissioning will undertake a review of the systems and processes that underpin open grant arrangements | Head of Partnerships and Commissioning | 31-Dec-17 |



Peter McCall

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The Police and Crime Commissioner for Cumbria

Summary Statement of Accounts 2016/17

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2016/17 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.

For 2016/17 the presentation of the financial statements has been updated to reflect the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES) and the introduction of the Expenditure and Funding Analysis note, as a result of the “Telling the Story” review of the presentation of local authority financial statements.

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 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

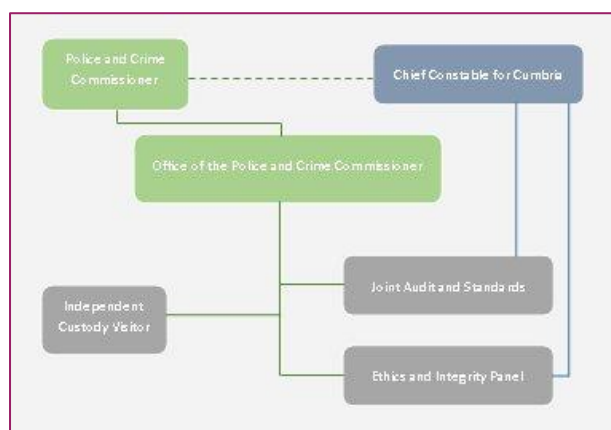
The Police and Crime Commissioner for Cumbria

Summary Statement of Accounts 2016/17

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 10.6fte staff including two statutory officers. The Chief Constable is accountable to the

Commissioner and has responsibilities to support the 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 2016/17 were: Barrow 10; Kendal 9, 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 launched his new Police and Crime Plan 'Making Cumbria Even Safer' in November 2016 setting out our future strategy and goals.

The Police and Crime Commissioner for Cumbria

Summary Statement of Accounts 2016/17

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 2017 | PCC | | Total FTE |
|---|-------------|---------------|--------------|
| | Male FTE | Female FTE | |
| PCC Single Entity | | | |
| Chief Officers | 1 | 1 | 2 |
| Senior Management | 0 | 2 | 2 |
| All Other Employees | 0 | 7 | 7 |
| Total PCC Employees | 1 | 10 | 11 |
| | | | |
| Group | | | |
| Chief Officers | 9 | 3 | 12 |
| Senior Management | 10 | 5 | 15 |
| All Other Employees | 927 | 807 | 1,734 |
| Total Group Employees | 946 | 815 | 1,761 |

Chief Executive Report

A new Police and Crime Commissioner was elected in May 2016. This is Cumbria's second Police and Crime Commissioner, the first having decided not to seek re-election. Turnout was higher than in 2012 indicating

greater awareness and appreciation of the Commissioner's role.

The new Commissioner's new Police and Crime Plan was launched in November 2016. The Police and Crime Plan 2016-20 contains the police and crime objectives which all contribute toward achieving the Commissioner's overall aim 'to make Cumbria an even safer place'. Each objective is supported by actions that the Constabulary and/or partners will undertake to contribute to successful outcomes. These objectives and actions are underpinned by performance measures used to assess how well the objectives are being achieved. The performance measures are set out in the Commissioner's Performance Management Framework.

Since November 2012 the Commissioner's Office has worked to establish those governance and financial frameworks necessary to fulfil statutory, regulatory and best practice requirements, supported by the relevant professional bodies for local government and policing. This area of activity continues to be developed to ensure the Office continues to meet the highest standards.

Following the election in 2016 the Commissioner has established effective relationships with key local government, criminal justice, health and third sector partners to develop initiatives and commission activities to reduce crime, support victims and enhance community safety and criminal justice. The Commissioner has continued to provide a range of services for victims and specific services for victims of sexual and domestic violence and perpetrator programmes. He has developed the Cumbria Together website (www.CumbriaTogether.com) and funded a county-wide target hardening service for victims of anti-social behaviour and crime. This activity is driven

The Police and Crime Commissioner for Cumbria

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by public consultation and engagement. The Commissioner has held a considerable number of surgeries, drop-in events and road shows; he has attended numerous parish council meetings and spoken to many groups across Cumbria; in addition he has attended several agricultural shows, carnivals and other similar events. He has also dealt with very many e-mails, telephone calls and letters from the public and his website, which was renewed and refreshed in January 2017, receives approximately 1,500 “hits” every month.

The Commissioner has established a bi-monthly Public Accountability Conference to enable him to scrutinise the Constabulary’s performance in terms of crime and anti-social behaviour. The Commissioner also has access to work undertaken by HMIC, external and internal auditors to assist in his scrutiny of governance, finance, process and procedure. He also has – jointly with the Constabulary but independent from both – an Audit and Standards Committee and an Ethics and Integrity Panel.

The level of resources, the mix of skills and the dedication of the staff within the Commissioner’s Office has facilitated the transition between Commissioners. I am confident that staff will adapt over the coming months and years to changing demands, such as the changes regarding police complaints due in 2018 and the Commissioner’s ambitions for Blue Light collaboration, begin to come on-stream.

Finance Review

2016/17 Grant Settlement and Budget

The Commissioner set a combined net revenue budget of £95.675m for 2016/17 on 24 February 2016. Funding of this amount came from the Police Grant

settlement (£59.543m) and income from Council Tax (£36.132m). The budget increased the Council Tax precept by 1.91%, taking the Commissioner’s proportion of the band D equivalent tax to £216.63 per annum. The effect of the increase is to support the medium term financial forecast and mitigate the impact of the £0.341m reduction in Police Grant compared to 2015/16. The budget provided funding for the Chief Constable of £106.605m comprising a £111.244m expenditure budget to support policing and an income budget of £4.639m. The Commissioner’s budget provided £2.583m 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 £6.883m. Capital expenditure is made up broadly of expenditure on assets that have a useful life of beyond one year. Almost two thirds of the programme related to investment in ICT including the provision of mobile devices, with the remainder being made up estates improvements and the cyclical replacement of fleet vehicles. The budget was funded from capital grants (£2.0m), internal borrowing (£0.1m), direct contributions from revenue (£1.5m) and capital reserves (£3.3m).

The table below shows the summary revenue budget for 2016/17 as set on 24 February 2016, the revised budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit). The presentation below 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

The Police and Crime Commissioner for Cumbria

Summary Statement of Accounts 2016/17

accounting practice) are made. For this reason, the outturn in the table below will not reconcile directly to the Summary Comprehensive Income and Expenditure statement on page 7. References to the PCC relate to the Police and Crime Commissioner.

Summary Budget and Outturn

| Summary Budget & Provisional Outturn | Base Budget 2016/17 £000s | Revised Budget 2016/17 £000s | Provisional Outturn 2016/17 £000s | (Under)/ Overspend 2016/17 £000s |
|--------------------------------------|---------------------------------|------------------------------------|---|---|
| Constabulary Budget | 106,605 | 106,971 | 108,100 | 1,129 |
| Office of the PCC | 759 | 764 | 744 | (20) |
| Other PCC budgets | 13,882 | 12,504 | 12,623 | 119 |
| Grants/Contributions | (25,092) | (25,995) | (26,126) | (131) |
| To/(From) Reserves | (479) | 1,431 | 334 | (1,097) |
| Net Expenditure | 95,675 | 95,675 | 95,675 | 0 |
| Government Grants | (59,543) | (59,543) | (59,543) | 0 |
| Council Tax | (36,132) | (36,132) | (36,132) | 0 |
| Total External Funding | (95,675) | (95,675) | (95,675) | 0 |

The Constabulary gross expenditure budget is made up of funding for employee costs (£99.0m; of which Police Officers comprise £75.15m), transport costs of £2.1m and supplies/other costs of £11.8m. The Commissioner's budgets comprise the costs of running his office (£0.764m) and the net position on a range of other costs. These include estates costs (£3.53m for premises used by the Constabulary and Commissioner), Commissioned Services (£2.58m to deliver the Police and Crime Plan) and budgets to finance capital expenditure and the costs of technical accounting adjustments (£6.30m). PCC other budgets also include the costs of insurance and past pension costs. Overall a net contribution to reserves of £0.334m was made in the year.

In-Year Financial Performance

Revenue Expenditure: The out-turn position for 2016/17 is an overspend of £1.097m. The overall overspend is made up of an overspend of £0.322m on the core budgets of the Commissioner and Constabulary plus a one off contribution of £0.775m to a legal provision in relation to historic pay related claims, which are impacting on all forces. The core overspend equates to 0.3% of the revised net budget of £95.675m. This position performs well against the target for the revenue budget which is for actual expenditure to be within 1% of the budget at out-turn. During 2016/17 the Constabulary has experienced budgetary pressure in a number of areas. The core overspend principally relates to a combination of variances in officer pay, other employee related costs and income, which have been offset to some degree by savings in police staff pay and supplies and services. The Commissioner's budgets came in close to budget with an overall underspend of £0.032m reported. The principal variances related to higher than anticipated estate costs offset by increased levels of grant. Expenditure on the Office of the Police and Crime Commissioner came in £0.020m under budget.

The likelihood that the budget would be overspent was forecast from an early point in 2016/17 through the budget monitoring process. Accordingly, the Commissioner and Chief Constable have put in place measures to restore the reduction in reserves arising from the overspend in 2016/17 as part of the budget for 2017/18. Detailed outturn reports that explain the full range of variances can be found on the budget and finance section of the Commissioner's website.

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 2016/17 awards totaling £42.5k were made. As at 31 March 2017 the Police Property Act fund balance stood at £104k.

The 2016/17 Capital Expenditure Outturn amounted to £3.0m against a revised budget of £6.9m. During the year Cumbria has been one of first forces to deploy tablet devices, which has facilitated mobile working for officers and staff in roles which are required to operate at multiple locations. Other capital expenditure has been incurred in upgrading the electrical infrastructure at the HQ site and the replacement of vehicles and ICT equipment.

The variance between actual expenditure and the revised budget is £3.9m (56.5%), which is significantly outside the 8% target for variations in capital expenditure. Whilst actual performance has fallen substantially short of target, this has been for a number of reasons, which were largely outside of the control of staff working directly on schemes. The principal reasons for slippage in the programme included, a strategic decision to replace the construction of a Strategic Command Centre with a new Eden Deployment Base including a hostel, which required the timing of the project to be delayed, contractual difficulties, delays in receiving national guidance and long delivery schedules for police vehicles.

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

The Police and Crime Commissioner for Cumbria

Summary Statement of Accounts 2016/17

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of policing and other services provided in the year and the income from government grants and council tax that fund those services. The CIES is shown on page 30 of the full statement of accounts. An expenditure and income analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in note 6 on page 49.

The table below sets out a summary CIES statement.

| Summary CI&ES | Gross Expenditure 2016/17 £000s | Gross Income 2016/17 £000s | Net Expenditure 2016/17 £000s |
|---|--|-------------------------------------|--|
| Cost of Police Services | 99,000 | (8,907) | 90,093 |
| Cost of Services | 99,000 | (8,907) | 90,093 |
| Other operating expenditure | 17,590 | (17,569) | 21 |
| Financing Costs and Investment Income | 41,180 | (4,052) | 37,128 |
| Council tax and grant income | 0 | (101,622) | (101,622) |
| (surplus)/deficit on the provision of services | 157,770 | (132,150) | 25,620 |
| Other comprehensive income and expenditure | | | 226,783 |
| Total Comprehensive income and expenditure | | | 252,403 |

The statement shows that the net cost of providing services in the year amounted to £90.093m, which is predominantly the costs of policing.

In addition to showing the cost of services, the CIES also sets out net financing costs of £37.128m. The most significant element of financing costs comprise pension charges (£36.609m). These charges are calculated in accordance with generally accepted accounting practices and do not all need to be funded in the 2016/17 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 £18.402m (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 £25.620m. A further accounting adjustment of £226.783m expenditure through the 'other comprehensive income and expenditure' line results in an overall position on the statement of a deficit of £252.403m. This is an accounting deficit 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 overspend of £1.097m against the 2016/17 budget.

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

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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 pages 32-33 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

| Summary Movement in Reserves | Balance 31/03/2016 £000s | Movements 2016/17 £000s | Balance 31/03/2017 £000s |
|------------------------------|--------------------------------|-------------------------------|--------------------------------|
| Police Fund | 3,000 | 0 | 3,000 |
| Earmarked Revenue Reserves | 3,193 | 242 | 3,435 |
| Earmarked Capital Reserves | 17,730 | 99 | 17,829 |
| Capital Receipts | 556 | 370 | 926 |
| Capital Grants Unapplied | 5,442 | (25) | 5,417 |
| Total Usable Reserves | 29,921 | 686 | 30,607 |
| Unusable Reserves | (993,519) | (253,089) | (1,246,608) |
| Total Reserves | (963,598) | (252,403) | (1,216,001) |

Movements in usable reserves for 2016/17 show a net balance of £0.686m. This is the cumulative position recording the amounts we have contributed to 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 £0.370m and were received following the sale of Maryport Police Station and one police house. Capital grants amounting to £0.025m were applied to finance capital expenditure during the year.

At the end of the year, the Police Fund at 31 March 2017 stands at £3.0m and provides for unplanned financial risks. Earmarked revenue reserves are £3.435m. 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 £17.829m are now those set aside to fund the capital programme, all of which is planned to be fully applied by 2022/23. Further detail on earmarked reserves is provided within note 8 to the statement of accounts on pages 54-55.

At the 31st March 2017 we have negative unusable reserves of £1,247m. 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

- £45.802m in respect of the revaluation reserve and capital adjustment account, recording accounting transactions for our capital assets.
- -£1,290m in respect of negative pensions reserves. The pensions reserves record accounting transactions for the Police and Local Government

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Pension Schemes. The change in the balance on this reserve in 2016/17 is negative and is as a result of changes in actuarial assumptions that have had a negative impact on scheme liabilities.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2017) of the Commissioner's assets and liabilities. The balance sheet is shown on page 34 in the full statement of accounts. The table below sets out a summary balance sheet.

| Summary Balance Sheet | Balance | Balance |
|-----------------------------|------------------|--------------------|
| | 31/03/2016 | 31/03/2017 |
| | £000s | £000s |
| Property, plant & equipment | 63,854 | 62,325 |
| Long Term Assets | 356 | 2,377 |
| Current assets | 32,250 | 26,827 |
| Current Liabilities | (15,803) | (11,052) |
| Long Term Liabilities | (1,044,255) | (1,296,478) |
| Net Assets | (963,598) | (1,216,001) |
| Usable reserves | 29,921 | 30,607 |
| Unusable Reserves | (993,519) | (1,246,608) |
| Total reserves | (963,598) | (1,216,001) |

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 £62.325m. Of this, land and buildings comprise £52.015m. Long terms assets are comprised of intangible assets £0.334m and a long-term investment of £2.043m. Current assets are principally made up of investments (£8.102m), debtors (£13.882m) and cash (£3.044m) and have a total value of £26.827m. 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 2016/17 10 sundry debtor invoices totaling £1,510 were authorised to be written off as not collectable. The Bad Debt Provision stands at £1,090 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 £1.819m and is reduced by the Commissioner's share of their respective bad debt provisions of £0.876m. See note 14 to the statement of accounts (Page 69).

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 creditors which total £10.927m. The combined short and long term liability on the PFI scheme amount to £5.012m at 31st March 2017. Long term liabilities are the most significant figure on the balance sheet, showing a balance of £1,296m (£1,044m in 2015/16). The main element of this amount is a pension's deficit of £1,290m (£1,039m in 2015/16) 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.

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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 35-36 of the full statement of accounts. The table below sets out a summary cash flow statement.

| Summary Cash Flow Statement | Cash flows 2015/16 £000s | Cash flows 2016/17 £000s |
|---|-----------------------------|-----------------------------|
| Cash & Cash Equivalents 1 April | (6,881) | (3,303) |
| Net cash flow from: | | |
| Operating activity | (1,245) | (2,303) |
| Investing activity | 7,725 | (548) |
| Financing activity | (2,902) | 3,110 |
| Cash & Cash Equivalents 31 March, made up of: | (3,303) | (3,044) |
| Bank Accounts | (948) | (2,040) |
| Money Market Funds | (2,355) | (1,004) |

The table shows a cash inflow of £2.303m 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 inflow of £0.548m 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 outflow of £3.110m, this being amount of cash used in relation to financing and borrowing. The position in 2016/17 reflects the return of a £3.0m partner contribution to the financing of the Strategic Command Centre project, which did not ultimately go ahead. The Commissioner has no borrowing other than that which relates to finance leases and the PFI agreement. An amount of £110k was paid to reduce those debts during the year.

The Commissioner's cash flow statement shows an overall balance of £3.044m, compared to £3.303m in 2015/16, reflecting a decrease in cash and cash equivalents of £0.259m over the year. At the end of the year £1.004m of the Commissioner's cash was held in money market funds and £2.040m in banks.

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

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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 2015/16 £000s | Pension Fund A/C 2016/17 000s |
|--|--------------------------------|-------------------------------|
| Contributions - Employer | (8,286) | (8,133) |
| Contributions - Officers | (5,305) | (5,179) |
| Contributions - Other | (454) | (419) |
| Benefits Payable | 33,498 | 32,390 |
| Other Payments | 46 | 27 |
| Net Amount Payable | 19,499 | 18,686 |
| Contribution from Home Office | (18,371) | (17,590) |
| Additional Funding Payable by the Police and Crime Commissioner (2.9%) | (1,128) | (1,096) |
| Net Amount Payable | 0 | 0 |

The statement identifies contributions into the fund of £8.133m from the Constabulary (employer) and £5.179m from police officers. Employer contribution rates in 2016/17 were maintained at 21.3%. In total £32.390m of pensions have been paid out of the fund. The balance between contributions and those pensions' benefits of £18.686m has been funded by Home Office Grant of £17.590m and additional contributions from the Commissioner of £1.096m. The full police officer pension fund account is shown on pages 96 to 97 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

2016/17 has seen the continuation 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 Bridgeway' Sexual Assault Support Service, which 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. Since its launch in 2015/16 the Bridgeway has provided support to over 200 victims and survivors of sexual assault. In relation to the provision of wider victim support services the OPCC has researched and completed a victim's needs assessment and a separate sexual assault and abuse needs assessment with the objective of identifying gaps in service provision and providing a direction for future commissioning of services and support.

The OPCC has also commissioned programmes to work with perpetrators of crime. 'Turning the Spotlight on Domestic Abuse' is supported by a Home Office innovation fund bid, which is aimed at reducing incidents of domestic abuse by working with perpetrators and victims of domestic abuse providing a holistic support service for the whole family. Other

perpetrator projects include 'The Well', which provides a support service to ex-offenders and veterans to take control of their recovery from substance abuse, and work targeted at reducing offending and re-offending in female ex-offenders.

2016/17 has also seen the delivery of new commissioning activities. Principal amongst these the setting up of Cumbria's first Youth Commission, which will give young people the opportunity to work alongside the Police and Crime Commissioner to address and develop solutions to issues important to or impacting on them.

A significant priority for the Commissioner is supporting the Constabulary to manage demands for service. Home Office funding of £2.3m was secured for a project to reduce both the number of detentions under the Mental Health Act and demand on police resources and A&E in dealing with mental health crisis through the development of a 24/7 multi-agency mental health crisis and assessment centre. The service will provide 24/7 telephone advice line operated by mental health professionals with access to AMHPs and S12 doctors and providing a place of safety with access to crisis/respite beds to avoid hospital admission. Funding has also been provided to support vulnerable people and reduce police call outs arising from dementia.

Triple A Project. 'All about Autism' is a training film for police, which aims to raise awareness and promote understanding of autism and is the result of a successful partnership project with Cumbria Police, produced by University of Cumbria. The purpose of the DVD is to through training our officers to recognise and better understand some of the particular challenges

those with autism experience and the impact this can have in certain situations.

To support reducing the harm caused by hate crime, the OPCC has commissioned initiatives including a theatre production entitled 'Feel the Hate', which was delivered across secondary schools in Cumbria, aimed at raising awareness around the impacts of hate crime. This has 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. For young people the Tackling Child Sexual Exploitation (CSE) project aims to educate young people to the risks associated with CSE. During 2016/17 this included the return of the 'Chelsea's Choice' theatre production which was shown to 6,500 students. Funding has also been provided to MENCAP to develop and produce a series of short films aimed at increasing awareness of the risks of sexual exploitation to people with learning difficulties. In addition to multi-agency partnership activity, a number of grants have also been made available for community groups including several youth groups for initiatives and innovative schemes, which support the objectives of the Police and Crime Plan including preventing and reducing the harm caused by antisocial behaviour.

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 2016

- Launch of the pre-tenancy and homeless project aimed at reducing homelessness of 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.
- Funding awarded to The Well to deliver the Mutual Aid Recovery Project aimed at reducing offending and re-offending.
- Funding awarded for the delivery of Vulnerability Localities Index in Barrow and Copeland to support targeted community interventions.
- Women's Community Matters were awarded PCC Innovation Funding for 3 years to support the delivery of the Petals Project aimed at reducing offending and re-offending amongst women.

May 2016

- New Police and Crime Commissioner takes up office.
- Commissioner attends International Day Against Homophobia event in Carlisle.

June 2016

- Mutual Aid Facilitation programme launched to support ex-offenders and veterans to take control of their recovery from substance misuse.

- Funding awarded to Community Speed Watch Groups to address the concerns around speeding.

August 2016

- Funded Appleby Heritage Centre to deliver free training to young people focusing on road safety, speed awareness and effect of criminal records on life choices.
- Age UK funded to develop and deliver a comprehensive awareness raising campaign regarding domestic abuse in older people.
- Colton Parish Council awarded funding to deliver effective strategies aimed at tackling rural crime.
- Funded Mirehouse Residents Group to provide a community based youth provision for young people aged 11 to 18 years building positive relationships and self-esteem.

September 2016

- Feel the Hate theatre production delivered in secondary schools aimed at raising awareness around the impacts of hate crime.

October 2016

- Young Cumbria awarded funding to develop and design a Youth Commission.
- Eden FM awarded funding to support a live 'Crime in the Community' radio programme.
- Commissioner agrees the roll-out of Dignity in Dementia across the county following a successful pilot programme in South Cumbria.
- Carlisle YMCA funded to provide a detached youth work project in Carlisle Wards, aim at

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reducing incidents of anti-social behaviour and to encourage more positive and active lifestyle.

November 2016

- Launch of the new Police and Crime Plan for 2017-20.
- Launch of the new Copeland Hub.
- Commissioned Birchall Trust and Safety Net to provide specialist therapeutic services aimed at increasing capacity of the existing service.
- Commissioner visited Carlisle Youth Zone to view the successful Mentoring Project The project is in its second year and was funded by the OPCC over a three year period.

December 2016

- Turning Point awarded funding to help promote opportunities for service users through recovery and rehabilitation service.

January 2017

- Launch of MENCAP DVD a series of short films focusing on sexual exploitation and abuse aimed at educating and bringing awareness of risks to people with learning difficulties.
- Commissioner publishes Sexual Needs Assessment for Cumbria. The detailed report highlighted gaps in service and support for victims of sexual assault in Cumbria.

February 2017

- Commissioner agrees budget for 2017/18.
- Commissioner announces increase in the amount available through the Property Fund from £1,000 to £2,500.

March 2017

- Commissioner launches Cumbria's First Youth Commission, the innovative programme enables young people to be involved in resolving issues in their community.
- Launch Brampton Speedwatch Project aimed at reducing incidents of irresponsible and dangerous driving in the community.
- Commissioner attends Whitehaven Foyer to view 'Peer Pressure Workshops' Funded through the Commissioners Community Fund.
- Commissioner agrees Budget for 2017/18.
- Dignity in Dementia wins regional NHS Award- The project received the runner-up award in the 'Living Well' category of the awards.

April 2017

- Purdah period commences for County Council and General Elections in May and June.
- PCC grants extension to Step-up project for a further 6 months following successful delivery of their domestic abuse intervention programme.
- Funding awarded to Gosforth Amateur Dramatic Society Youth Theatre to provide social activities for young people.
- Commissioner launches Community Awards, a new scheme to recognise the outstanding work carried out by people within Cumbria on a voluntary or professional capacity.
- Commissioner publishes Risky Business Report, Young Cumbria were commissioner to develop and deliver a youth engagement project with the overall aim of designing and developing a Youth Commission in Cumbria.

May 2017

- Launch of the Autism specific awareness training file and Autism Alert Cards funded through the PCC Community Fund.
- Commissioner publishes Victim Needs Assessment for Cumbria, the detailed report highlighted gaps around services and support for victims in Cumbria.

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 2016 HMIC determined that the overall judgement for Cumbria Constabulary was 'good' in respect of effectiveness, efficiency and legitimacy. The Chief Constable reports to the Police and Crime Commissioner on how the Constabulary will tackle those areas requiring improvement and his response to HMIC recommendations.
- For 2016/17 crime reduced by 2.1%, which equates to a reduction of 551 crimes over the 12 month period to 31st March 2017. This position is better than the national trend, where most forces have experienced an increase in crime during 2016/17.

Cumbria continues to maintain the second lowest level of reported crime in the whole country.

- Violence against the person offences have fallen by 1.4% over the year. However, within this crime category, assaults causing serious injury have increased although the numbers remain very small. Cumbria is 3rd lowest nationally for volume of crimes.

Community Safety

- Antisocial behaviour has continued to fall, and has seen a 11.1% reduction compared to the same period last year; this includes a small reduction in youth anti-social behaviour. Nationally Cumbria has the lowest number of incidents.
- Hate crimes and incidents continue to be closely monitored. During 2016/17, although there was an increase in the reporting of racial hate crimes and incidents nationally following the EU referendum, Cumbria did not follow this trend experiencing a 13.2% fall in actual hate crimes, however the number of hate incidents increased. The Constabulary and partners continue to work to encourage reporting of hate crime. 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. During the year reported incidents of domestic abuse have reduced by 1%, however, there has been a 20% increase for sexual offences which were largely child sexual exploitation and historical offences. The effectiveness of support arrangements are measured by the reduction in repeat victims of domestic abuse, this shows a small decrease of 1% or 68 incidents compared to 2015/16.

The Police and Crime Commissioner for Cumbria

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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 26.7% for 2016/17.
- Cumbria conviction rates for Magistrates Court cases for the quarter to December 2016 equated to 91.2%, which is ranked 2nd nationally amongst 42 forces. Crown Court convictions for the same period equate to 88.6%, Cumbria is ranked 3rd 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 for the overall service experience (which includes criteria such as 'making contact', 'action taken', treatment by staff') remain high at 88.1%, which compares to 88.7% in 2015/16
- When allegations are made against the police, those resolved locally perform well against national comparative timescales, taking an average of 34 days, achieving a ranking of 5th nationally. No subsequent IPCC appeals resulted

from the local resolutions, demonstrating improvements in the local resolution process.

Finance & Value for Money

- We measure our performance against targets for achieving financial outturn within a percentage of the net budget. For 2016/17 this was set at 1% for the revenue budget and 8% for the capital budget.
- Actual performance for revenue (excluding the one off contribution to provisions) was 0.3%, achieving well within the target.
- Capital outturn was 56% below budget, falling significantly outside target. Whilst this was a disappointing result, 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. 2016/17 HMIC most similar force (MSG) comparators show that the total budget for the Commissioner and Office of the Police and Crime Commissioner was slightly lower than the group average and the second lowest within the MSG based on Police Objective Analysis data.
- Costs are significantly higher (34%) 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) 2016 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 2016/17 financial year.

The Future Outlook

On May 12th 2016 Mr Peter McCall commenced office as the new Police and Crime Commissioner for Cumbria and has launched his Police and Crime Plan covering the period to 2020. The Plan's key theme is 'Making Cumbria Even Safer' and sets the strategic direction for policing and wider aims for enhancing community safety, criminal justice and supporting victims.

The Commissioner inherited a strong overall financial position, which is reflected in the Medium Term Financial Forecast, which sets out the revenue budget position until 2020/21 and a capital programme which is fully funded over the same period which will support delivery of 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 to reduce costs in the context of reductions in government funding since 2010. This has enabled reserves to be maintained at a level that provides financial resilience and supports continued investment.

The Medium Term Financial Strategy and 2017/18 budget was approved in the context of the 2015 CSR that sets out the Government's medium term plans for public spending. Whilst those plans protect police spending in cash terms, after taking into account the capacity to raise Council Tax, further savings and efficiencies will need to be identified to balance the budget over the medium term.

Against this background the 2017/18 budget resources an establishment of 1122 Police Officers supported by 95 Police and Community Support Officers and 608 Police Staff. The budget delivers £116.391m funding for the Chief Constable to deliver policing for Cumbria. The longer term 10 year capital programme commits to £59.5m investment across the estate, fleet and ICT.

Whilst the position is financially resilient in the short term the future outlook is highly uncertain. In 2017/18 39% (£37.5m) of income to meet the budget requirement is derived locally from taxation. The balance of 61% (£58.7m) comes from central government police formula grant. Announcements expected during 2017/18 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 31st March 2017 this issue is the only risk recorded within the Commissioner's strategic risk register. Based on a previous proposal to revise the funding formula in 2015, Cumbria could suffer a forecast funding loss of up to £16m, dependent on the indicators used to distribute funding. Conversely, if the outcome of formula funding changes was neutral for Cumbria, the budget would be broadly balanced up to 2018/19 with

The Police and Crime Commissioner for Cumbria

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a much lower savings requirement of £1.9m emerging by 2019/20.

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 Joint Chief Finance Officer on 31 May 2017. Following completion of the audit, they were re-authorised by me on 21 July 2017 and were formally approved by the Police and Crime Commissioner on 21 July 2017.

In closing, it is appropriate to acknowledge the dedication and professionalism of Michelle Bellis the Deputy Chief Finance Officer, Lorraine Holme, Simon Nicholson 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.

Roger Marshall

Joint Chief Finance Officer

The accounts present a true and fair view of the position of the Police and Crime Commissioner for Cumbria Single Entity and Group Accounts as at 31 March 2017 and its income and expenditure for the year there ended.

Signature removed for publication on website

Roger Marshall CPFA

Joint Chief Finance Officer

Date: 21 July 2017

Signature removed for publication on website

Peter McCall

The Police and Crime Commissioner for Cumbria

21 July 2017

The Chief Constable for Cumbria Constabulary

Summary Statement of Accounts 2016/17

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2016/17 financial year. This financial statement sets out the single entity statements of the Chief Constable for Cumbria Constabulary. The Police and Crime Commissioner for Cumbria (the Commissioner) has also produced group accounts which consolidate the single entity statements of the Chief Constable and the Commissioner. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

The statement provides a breakdown of net spending during the year and shows the overall financial position of the Chief Constable as at 31 March 2017. 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 Chief Constable's website: www.cumbria.police.uk. This is the second year that the statement has incorporated a narrative statement, which has replaced the Chief Finance Officer introduction. The narrative statement provides a simplified summary of the financial statements with expanded information on the objectives, activities, performance and future financial prospects of the Constabulary. This aims to give the reader greater understanding of the context in which the financial statements are set. The narrative statement is also available as a stand-alone document on the same website. For 2016/17 the presentation of the financial statements has been updated to reflect the new

formats and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES) and the introduction of the Expenditure and Funding Analysis note, as a result of the "Telling the Story" review of the presentation of local authority financial statements. The Commissioner's consolidated financial statements can be accessed from the Commissioner's website: <https://cumbria-pcc.gov.uk/>

Statutory Framework

The Chief Constable 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 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 for the police force.

The Chief Constable for Cumbria Constabulary

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The PRSRA 2011 sets out the statutory financial framework for the Commissioner and Chief Constable. The legislation provides for the Secretary of State to 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. All funding for the Chief Constable must come from the Commissioner. 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 consolidated 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 group accounts.

Organisational Structure

The Chief Constable is supported by a Deputy Chief Constable and Assistant Chief Constable who are responsible for a portfolio of functions within the organisation.

Operational policing is split into two commands which report to the Assistant Chief Constable. The Territorial Policing command is responsible for neighbourhood

issue a financial code of practice in relation to the proper administration of financial affairs. The Home Office, under the legislation, issues a Financial

policing, response, management of calls for service and criminal justice. Territorial policing is structured in three geographic areas, which are supported by shared specialist policing resources such as roads policing, dogs and firearms.

The Crime Command is responsible for investigating crime and includes specialist units for gathering intelligence, major crime investigation, countering serious and organised crime, public protection and scientific support.

There are also two support directorates both of which report to the Deputy Chief Constable. The Corporate Support Directorate includes finance, estates, fleet, learning & development, ICT and central services. In 2016/17 a new people department has been created which brings together all aspects of workforce management within Corporate Support including human resources and professional standards. In overall terms, the Corporate Support directorate aims to provide cohesive and integrated support for operational policing.

The Corporate Improvement Directorate includes a number of corporate functions including strategic development, marketing and communications and responsibility for coordinating the Constabulary's change programme. During 2016/17 a business improvement unit has been established within the corporate improvement directorate which aims to provide assurance that corporate priorities and recommendations from inspection agencies are being

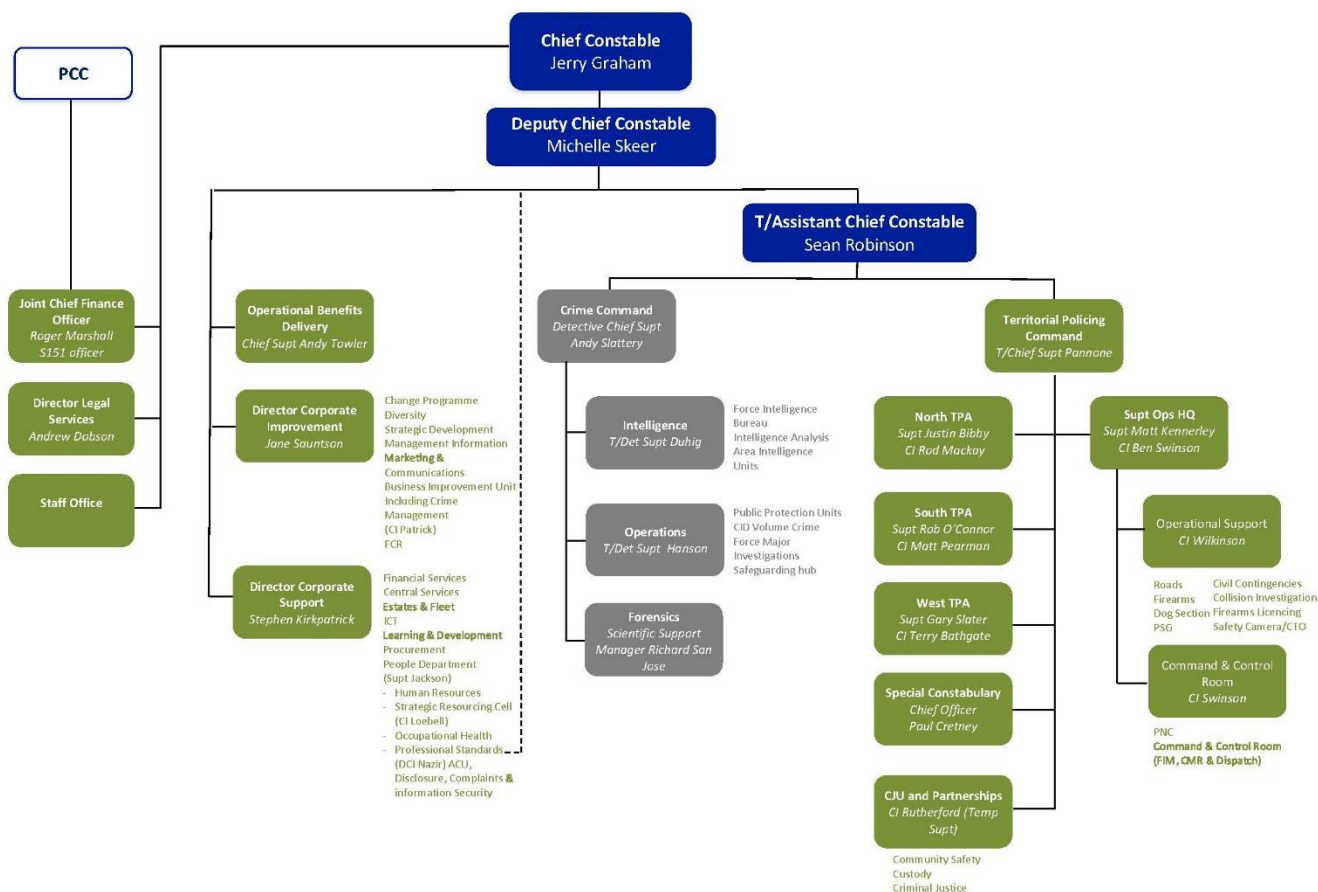
The Chief Constable for Cumbria Constabulary

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implemented on the ground. Legal Services is a small specialist function, which operates independently from the main directorate structure and provides legal

advice to the Chief Constable and Commissioner.

A diagram showing the Constabulary's organisational structure is shown below



Strategic Objectives

For 2016/17 the Chief Constable determined the strategic direction for the Constabulary, which is 'Keeping Cumbria Safe'. Following consultation with a range of stakeholders, the annual review of the Constabulary's Strategic Assessment (based on operational intelligence), performance results, recommendations from independent inspections and audits and a review of the organisation's strategic risks, the Chief Constable developed his 'BIG 6' priorities for reducing 'threat, risk and harm' and tackling our communities' concerns as follows:

- Engaging with communities and engaging with partners.
- Preventing crime, road casualties and anti-social behaviour.
- Managing offenders.
- Managing calls for service.
- Protecting vulnerable people and communities.
- Investigating crime, caring for victims and bringing offenders to justice.

The Commissioner approved these key objectives and incorporated them into his Police & Crime Plan to complement his aims.

The Chief Constable for Cumbria Constabulary

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Chief Constable's Report

In terms of crime and disorder, Cumbria remains one of the safest places to live, work and visit in England and Wales. Levels of anti-social behavior in particular have shown a marked decline within the county over recent years. The public of Cumbria remain overwhelmingly supportive of the service we provide as demonstrated by consistently high user satisfaction levels.

Nevertheless, there are no grounds for complacency. Over the past couple of years there has been a noticeable shift in the profile of offences being recorded by police, with an increase in the complexity of crime, which in turn requires more resources to investigate. To ensure that we understand and can respond effectively in an ever changing world we continually review our demand.

The rapid advances in digital technology is a double edged sword allowing policing systems and processes to be developed and made more effective, but it also a facilitator of crime and requires new skillsets from policing if it is to be countered effectively. In relation to digital innovation in policing Cumbria is recognised nationally as being at the leading edge in rolling out mobile technology to its officers and staff with the objective of improving their productivity.

Each year the Constabulary is inspected and graded as part of a regime known as PEEL (Police Efficiency, Effectiveness and Legitimacy). In 2016/17 the Constabulary were graded good in respect of all three elements. I was particularly pleased with the grading of good for effectiveness which recognised the work undertaken within the Constabulary over the last year

to improve the operational services we deliver. We will continue to work with HMIC to address the small number of areas which were identified as areas for improvement.

The financial position remains uncertain. Although policing was added to those public services protected from the worst effects of austerity it does not exempt the Constabulary from the need to make on-going savings and efficiencies. Cumbria is also particularly vulnerable to the impact of a new police funding formula planned to be introduced from 2018/19, which has the potential to have a detrimental effect on the resources available to police the county.

In order to plan for an uncertain future I have established a Cumbria 2025 Plan, which seeks to bring together business and change planning into a single cohesive plan which is aligned to the national policing vision. This will be developed during 2017/18 under the leadership of the Deputy Chief Constable.

In summary, despite the challenges, I have established an effective working relationship with the Commissioner in his first year in office and look forward to continuing to work with partners across the county to deliver on our core mission of Keeping Cumbria Safe.

2016/17 Grant Settlement and Budget

Under the provisions of the Police and Social Responsibility Act 2011 the Commissioner receives external funding, principally in the form of central government grants and council tax. The Commissioner is responsible for setting the budget and maintaining

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the force through the provision of funding to the Chief Constable. Details of the 2016/17 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

Of critical importance was the Chancellor's decision in the Comprehensive Spending Review of 2015 to add policing to those services which are protected from worst effects of funding reductions, as the Government continues to address the national budget deficit. As a consequence of this decision Cumbria received a relatively favourable grant settlement in 2016/17 with an allocation of formula grant of £59.543m which represented a reduction of £0.342m. When consolidated with a 1.91% increase in council tax precept agreed by the Commissioner this represented a welcome respite in the context of five previous years of successive funding reductions.

Business Activity

In addition to the day to day work of Protecting the People of Cumbria, the Constabulary, through its change programme and business strategies, has sought to identify savings and innovative ways to increase the productivity of its officers and staff. During 2016/17 the following changes have been made to enhance services:

- Delivered a saving of £2.5 million from the revenue budget that was planned for 2016/17.
- Delivered extensive demand analysis as part of the evaluation of the previous year's changes to neighbourhood policing, response, community safety and criminal justice arrangements. This included activity and data analysis to provide

evidence of what worked and what needed to be changed.

- Undertook a comprehensive process review of administrative and transactional processes across the back office functions, identified improvements and developed the implementation plan that is being delivered during 2017/18 by the business.
- Undertook a detailed demand review of crime investigations for volume crime and public protection, resulting in proposals to change the structure and a significant number of process improvements to support improved productivity.
- Supported the business in development of an action plan for the Command and Control Room.
- Developed its plans for the next four year period to 2021 to achieve the government savings required.
- Deployed 750 laptops to the Crime Command, uniformed roles and police staff who work at multiple locations, facilitating mobile working with full office functionality and straight-forward access to police systems.
- Completed the convergence of the ICT infrastructure to reduce costs.
- Successfully worked with partners to reduce risk of violence, sexual assault, child sexual exploitation, domestic abuse and persistent offenders.

Performance

Summary Budget and Outturn

The Chief Constable's budget amounting to £106.6m is based upon the funding agreement with the Commissioner.

The table below shows the summary budget for 2016/17 as set on 24 February 2016, the revised

The Chief Constable for Cumbria Constabulary

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budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit).

| Summary Budget & Provisional Outturn | Base Budget 2016/17 £000s | Revised Budget 2016/17 £000s | Provisional Outturn 2016/17 £000s | (Under)/Overspend 2016/17 £000s |
|--------------------------------------|---------------------------|------------------------------|-----------------------------------|---------------------------------|
| Police Officers | 75,326 | 75,150 | 76,143 | 993 |
| PCSOs | 2,814 | 2,814 | 2,668 | (146) |
| Police Staff | 18,993 | 18,981 | 18,307 | (674) |
| Other Employee | 672 | 2,019 | 3,025 | 1,006 |
| Transport | 2,134 | 2,097 | 1,998 | (99) |
| Supplies & Services | 9,675 | 9,789 | 9,444 | (345) |
| Third party Related | 1,630 | 1,967 | 2,000 | 33 |
| Total Expenditure | 111,244 | 112,817 | 113,585 | 768 |
| Income | (4,639) | (5,846) | (5,485) | 361 |
| Total Constabulary | 106,605 | 106,971 | 108,100 | 1,129 |

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.

The budget is predominantly made up of funding for employee costs, amounting in total to £97.80m, which is broken down into Police Officers £75.33m, PCSO's £2.81m, Police Staff £18.99m and other employee costs of £0.67m. The remainder of the budget relates to non-staff costs including, transport costs of £2.13m and supplies/other costs of £11.30m. Income of £4.64m, which is generated through policing activities, is also shown within the Chief Constable's budget.

In-Year Financial Performance

Revenue Expenditure : The Chief Constable's outturn position for 2016/17, compared to the revised budget is an overspend of £1.129m. This overall figure is broken down into a net overspend on the Constabulary's core budgets, which were managed pro-actively during the year, of £0.354m. The other employee costs line includes a one off provision of £0.775m for historic employee legal claims, which all forces are being required to meet.

During the year the Constabulary budget experienced pressure in a number of areas, through a combination of:

- Police Officer pay – as a result of changes to the workforce plan including an intake of transferees from other forces and temporary increases in higher ranked posts in response to service needs.
- Police Officer overtime – which was higher than budgeted, principally due to covering shortages in specialist skills.
- Other employee costs – as a result of agency staff in ICT and investigations and management of change costs.
- Income – due to delays in special policing activities.

These have been offset by savings on police staff costs, arising from higher than expected levels of vacancies, and ICT services.

Capital Expenditure: Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets, which amounted to £3.0m in

The Chief Constable for Cumbria Constabulary

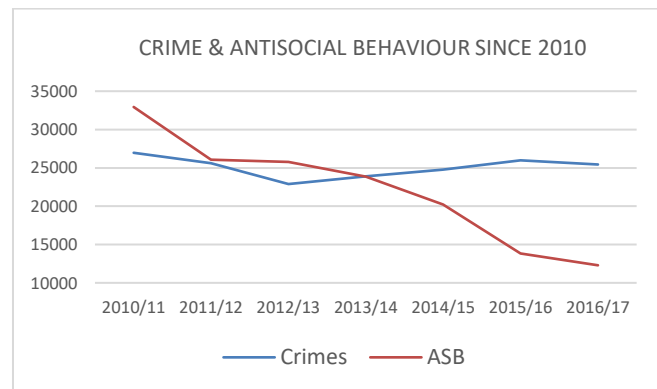
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2016/17 are shown in the financial statements of the Commissioner. The principal component of this expenditure was £1.65m on ICT related schemes including the roll out of laptops to facilitate mobile working. A further £0.8m was expended on improvements to the estate including enhancement of the electrical infrastructure at the HQ site. The remaining capital expenditure largely related to cyclical replacement of the vehicle fleet.

Organisational Performance

The Constabulary operates a comprehensive framework of performance measures to ensure it is meeting its objectives and support the Commissioner in delivering his Police and Crime Plan. The following section provides a summary of performance in relation to crime, incidents and other outcomes for 2016/17

- Crime decreased by 551 offences or 2%.
- We set out to increase reporting of rape and sex offences and this increased by 20% (173 offences).
- 148 (49%) of our rape cases are historic of which 109 involved victims who were children at the time the offence took place.
- Overall theft offences have fallen by 2.1% (190 offences) although within the category, there have been increases in theft from a person (+54 offences), shoplifting (+300 offences) and theft of a motor vehicle (+64 offences).
- Violent crime has reduced by 1.4% (102 offences) although assault causing serious harm has increased by 26 offences (38%).
- We perform better than our Most Similar Forces Group average and have the 3rd lowest volume of crime nationally.
- We have delivered an 11% reduction in Anti-Social Behaviour, which has reduced to 12,291 incidents over the year – one of the best performers in the country.



- Domestic abuse incidents fell by 1%.
- Cumbria performed significantly better than north west region and national averages for guilty pleas at first hearing and effective trials – and we exceed the targets set for us.
- We perform well for user satisfaction with 88% of people using our services being satisfied with the experience.
- 83% of people in Cumbria say they have confidence in their police service, which is 5% better than the national average.

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The table below summarises the Constabulary's performance indicators.

| | Number of crimes 2016/17 | % change from previous year |
|---------------------------------------|-----------------------------|-----------------------------------|
| All crime | 25,428 | -2% |
| Violence against the person | 7,274 | -1% |
| Homicide | 4 | -20% |
| Violence with injury | 3,333 | -3% |
| Assault causing serious harm | 95 | 38% |
| Assault with injury | 3,224 | -4% |
| Other violence with injury | 14 | 56% |
| Violence without injury | 3,937 | 0% |
| Assault without injury | 2,781 | 4% |
| Assault without injury on a constable | 153 | -7% |
| Harrassment | 816 | -6% |
| Other violence without injury | 187 | -22% |
| Rape and sexual offences | 1,018 | 20% |
| Robbery | 73 | 0 |
| Theft | 9,045 | -2% |
| Burglary | 2,003 | -10% |
| Vehicle offences | 1,170 | -8% |
| Criminal damage and arson | 5,106 | -2% |
| Drugs offences | 881 | -18% |
| Public order offences | 1,454 | -10% |

During 2016/17 all forces were subject to a PEEL (Police Effectiveness Efficiency and Legitimacy) inspection by Her Majesty's Inspector of Constabulary (HMIC). Cumbria was rated as good for the efficiency, effectiveness and legitimacy, recognising:

- Sound financial management, a well-managed change programme and investment in technology, estate and fleet to ensure a flexible workforce.
- Effective approach to preventing crime and antisocial behaviour, and tackling serious and organised crime.
- Good arrangements to protect victims and investigate crime.

Areas for improvement where weaknesses were identified include:

- Understanding our demand better and improving scenario planning for potential future budget reductions.
- Supporting vulnerable people and,
- Improving the arrangements to proactively identify corruption when it has not been reported.

A comprehensive action plan to address the issues raised by HMIC has been developed.

People

The Constabulary recognises that its workforce is its most important asset and that maintaining healthy, engaged and motivated officers and staff is critical to the delivery of effective services.

During 2016/17 the Constabulary developed and agreed a People Strategy which brings together the key themes of:

- health, safety and well-being
- workforce planning, recruitment and talent management
- employee relations
- reward and recognition
- managing workforce change
- learning and development

A comprehensive review of the human resources function was undertaken in 2016/17, which culminated in the formation of a People Department, which brings together HR, professional standards, occupational health, safety and workforce planning under a single lead.

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At the 31st March 2017 the Constabulary employed

- 1104 Officers
- 89 PCSOs
- 557 Police staff

(all expressed in full time equivalents)

During 2016/17 numbers of all employee groups were maintained close to the budgeted establishment, although, in the case of police staff, this included the recruitment of agency staff with specialist skills to respond to organisational needs, particularly in relation to ICT and crime investigation. It is intended that Officer and PCSO numbers will be broadly maintained during 2017/18 although some flexibility has been built into workforce planning assumptions towards the end of the year to respond to the outcome of the funding formula review.

The table below provides a breakdown of the Constabulary workforce (expressed in full time equivalents (FTE)) by gender.

| Actual Employees as at 31 March 2017 | CC | | Total FTE |
|---|-------------|---------------|--------------|
| | Male FTE | Female FTE | |
| Directors/Chief Officers | 8 | 2 | 10 |
| Senior Managers | 10 | 3 | 13 |
| All Other Employees | 927 | 800 | 1,727 |
| Total CC Employees | 945 | 805 | 1,750 |

During 2016/17 the percentage of contracted hours lost due to sickness was 3.94% for officers and 3.07% for staff, both of which exceed the Constabulary's target of 3%, but have reduced from 2015/16. An attendance action plan is in place with a wide range of actions to pro-actively manage sickness.

A Wellbeing Strategy has been put in place, with the aim of promoting and encouraging health and wellbeing at work. Work on promoting and improving well-being during 2016/17 included the:

- development of a multi-functional working group chaired by the Deputy Chief Constable.
- a commitment to develop a well-being at work charter standard in collaboration with Lancashire Police.
- tactical initiatives in relation to mental health first aid, stress awareness, well being ambassadors and health & safety.

The Constabulary is committed to promoting a workforce which reflects our communities and a culture that respects and celebrates all aspects of diversity. Achieving this aim will also lead to a working environment that is free from discrimination, harassment, bullying and victimisation. The Constabulary's diversity strategy has three objectives:

- 1) To provide an equitable, responsive and appropriate service to all communities in Cumbria, encouraging and supporting the reporting of crime, appropriate use of services and promotion of health and well-being.
- 2) To engage with communities and stakeholders internally and externally, improving communication and building confidence and trust in the public sector in Cumbria, to ensure that all communities have a voice. Embedding equality into every day business and processes to ensure all staff contribute to meeting these objectives.
- 3) Building an inclusive and supportive working environment that encourages development,

progression and retention of staff. Creating a culture where all staff feel valued and where people want to work.

Whilst Cumbria generally has a low level of hate crime compared to other forces, the Home Office release for 2015/16 data (October 2016) shows an increase in the number of hate crimes of 14%. To put this in context thirty seven out of forty three forces in England and Wales reported an increase, with Cumbria having the 27th highest. This indicates that the public have increased confidence in reporting such crimes.

The Constabulary recognises the importance of developing the skills and knowledge of its workforce. The Constabulary's has an annual training plan, which aims to ensure that officers, PCSOs and staff are equipped with the requisite skills to perform their role, including mandatory accreditation for specialist responsibilities. During 2016/17 particular training resource was directed to:

- vulnerability (child sexual exploitation & domestic abuse).
- stop search.
- management of serious crime investigations.
- Development of a leadership and skills programme.

The training plan was delivered through a strategic training collaboration with Lancashire Police, which has delivered benefits through increased capacity to deliver training and cost reductions. The collaboration arrangement has been extended for a further five years.

Sustainability

Sustainability is at the heart of the Constabulary's approach to change and business improvement, with the focus on streamlining processes and emphasising quality by putting in systems to get things right first time. In addition, the Constabulary's Demand Strategy delivers sustainability by looking at how demand can be managed down through preventative and collaborative working with other public agencies.

A cultural survey of all officers and staff, undertaken in partnership with academia, has identified areas that the Constabulary can focus on to build the resilience of its workforce and will be developed through the People Strategy.

In relation to the Commissioner's estate sustainability is promoted both in day to day management of the assets and in new capital developments. The capital programme promotes sustainability within design and strives to better the requirements of the current building regulations by 10%. Specific holistic design targets are set, encouraging use of natural ventilation and sustainable renewable technology where possible. Where applicable BREEAM energy efficiency targets of a minimum of very good are set.

Procurement of sustainable goods and services is encouraged with targets set for local labour and supply of materials. Tender evaluation considers whole life costing, including running costs for the life of the building and a sustainability / environmental assessment.

Other measures to improve energy efficiency include:

- Regular monitoring of consumption.

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- A forcewide building management system which is used to monitor and control mechanical building services.
- A programme of introducing low energy technology, including LED lighting and low emission air conditioning across the estate.
- Use of video conferencing to reduce travel between sites.

For many years the Constabulary has operated a recycling policy.

The Constabulary operates a diesel fleet with this strategy being continually reviewed as technology advances. The use of electric vehicles has been trialed and will continue to be monitored as this technology develops. The fleet includes vehicles of many different types, which are required to perform a number of roles. Each role has specific targets for emissions and the purchasing criteria for new vehicles dictates that they must be within these limits. Vehicles are purchased on a national framework, which includes sustainability and environmental criteria. The maintenance of vehicles is carried out at garages located strategically throughout the county, reducing downtime and transportation. Parts are bought locally and make use of the wider local supply chain where possible.

Staff are encouraged to make use of public transport via travel plans and promote car sharing and supporting cycle to work schemes.

The Financial Statements

This section of the financial summary provides an explanation of the various parts of the financial statement. The aim of the financial statements are to demonstrate to the reader the overall financial position of the Chief Constable 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 key financial statements are:

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

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Chief Constable prepares this statement in accordance with the expenditure analysis as prescribed by Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIES is shown on page 25 of the full statement of accounts.

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The table below sets out a summary CIES statement.

| Summary CI&ES | Gross Expenditure 2016/17 £000s | Gross Income 2016/17 £000s | Net Expenditure 2016/17 £000s |
|---|---------------------------------------|----------------------------------|-------------------------------------|
| Cost of Police Services | 92,676 | (364) | 92,312 |
| Funding Provided by PCC to CC | 0 | (105,327) | (105,327) |
| Cost of Services | 92,676 | (105,691) | (13,015) |
| Financing Costs and Investment Income | 40,430 | (3,843) | 36,587 |
| (surplus)/deficit on the provision of services | 133,106 | (109,534) | 23,572 |
| Other comprehensive income and expenditure | | | 227,431 |
| Total Comprehensive income and expenditure | | | 251,003 |

The statement shows that the gross cost of providing policing services amounted to £92.676m in 2016/17. This figure included the costs of neighbourhood policing, incident response, crime investigation, roads policing, communication with the public, criminal justice arrangements and a range of support services.

In addition, the CIES also records a number of technical adjustments including 'financing costs & investment income' £36.6m and 'other comprehensive income & expenditure' net expenditure of £227.4m. These adjustments principally relate to changes to future pensions obligations over the year based on proper accounting practices. The overall effect of the cost of providing services and the pensions adjustment is to produce an accounting deficit of £251.0m for the year, which largely impacts on unusable pensions reserves. The analysis on page 6 of this summary, based on the management accounts, shows an overspend of £1.129m.

An Income and Expenditure analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the note 6 to the statement of accounts on page 34.

Movement in Reserves Statement

This statement shows the different reserves held by the Chief Constable analysed into 'Usable Reserves', which can be applied to fund expenditure and other 'Unusable Reserves', which are principally accounting adjustments. It shows the opening balance on each reserve at the start of the year, movements in year and the closing balance.

The Chief Constable's statement of movements in reserves is shown on page 26 in the full statement of accounts.

The table below sets out a summary movement in reserves statement.

| Summary Movement in Reserves | Balance 31/03/2016 £000s | Movements 2016/17 £000s | Balance 31/03/2017 £000s |
|------------------------------|--------------------------------|-------------------------------|--------------------------------|
| Police Pensions Reserve | (1,012,460) | (230,660) | (1,243,120) |
| LGPS Pensions Reserve | (25,536) | (20,342) | (45,878) |
| Accumulated Absences Reserve | (2,848) | (1) | (2,849) |
| Total Reserves | (1,040,844) | (251,003) | (1,291,847) |

The reserves shown above on the Chief Constable's movement in reserves statement are all classed as 'unusable' and provide a mechanism through which accounting adjustments can be made to present the accounts in accordance with proper accounting practices, whilst allowing the statutory amounts required to be charged for council tax purposes.

The Chief Constable's movements in reserves statement principally records the Chief Constable's negative reserves in relation to the Police and Local Government Pension Schemes, reflecting the requirement to record pension assets and liabilities as they are earned rather than when they become due for payment. During

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2016/17, the overall negative balance on both the police and local government pensions schemes have increased, largely as a result of changes to actuarial assumptions.

All usable reserves are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner, who formally recognises the need to provide contingencies to meet unplanned and planned expenditure in the future. The Commissioner's usable reserves include a general reserve of £3.0m to meet unplanned risks and earmarked reserves of £21.2m for specific revenue and capital purposes. During 2016/17 a total of £0.3m has been added to the Commissioner's earmarked reserves to fund future revenue and planned capital expenditure.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2017) of the Chief Constable's assets and liabilities.

The table below sets out the summary balance sheet for the Chief Constable.

| Summary Balance Sheet | Balance | Balance |
|-----------------------|--------------------|--------------------|
| | 31/03/2016 | 31/03/2017 |
| | £000s | £000s |
| Current assets | 10,915 | 11,338 |
| Current Liabilities | (13,203) | (12,852) |
| Long Term Liabilities | (1,038,556) | (1,290,333) |
| Net Assets | (1,040,844) | (1,291,847) |
| Unusable Reserves | (1,040,844) | (1,291,847) |
| Total reserves | (1,040,844) | (1,291,847) |

The Chief Constable's current assets (£11.3m) are comprised of the Chief Constable's share of short term debtors and the balance of funding between the Commissioner and the Chief Constable. Current liabilities (£12.9m) reflect amounts owed by the Chief

Constable. They include the Chief Constable's share of short term creditors and the balance of funding between the Chief Constable and the Commissioner. Long term liabilities (£1,290m) represent the Chief Constable's share of the pensions deficit together with a small number of provisions to meet future liabilities. The net assets (assets less liabilities) are matched on the balance sheet by the Chief Constable's reserves. The balance sheet reserves reflect the position at year end and therefore match the final position shown in the movement in reserves statement. The balance sheet is shown on page 27 in the full statement of accounts.

The Chief Constable's 2016/17 balance sheet shows a combined pensions deficit of £1,289m (£1,038m in 2015/16) for the LGPS and the Police Pension Scheme to which its employees and former employees belong. However, statutory arrangements for funding the deficit, through increased contributions over a period designed to balance the pensions account and central government funding mean that the financial position of the Chief Constable remains healthy.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all cash and cash equivalents are held by the Commissioner and as such the Chief Constables cash flow statement simply reflects the surplus or deficit from the provision of services less adjustments for non-cash movements. The statement is shown on page 28 of the full statement of accounts.

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The table below provides a summary of the cash flow statement:

| Summary Cash Flow Statement | Cash flows 2015/16 £000s | Cash flows 2016/17 £000s |
|--|-----------------------------|-----------------------------|
| Cash & Cash Equivalents 1 April | 0 | 0 |
| Net (Surplus)/Deficit on the provision of services | 34,005 | 23,572 |
| Adjustments for non-cash movements | (34,005) | (23,572) |
| Net cash flows from operating activities | 0 | 0 |
| Cash & Cash Equivalents 31 March | 0 | 0 |

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 of the contributions that have been made to the pension fund during the year. 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, either from officers joining the scheme in the year and transferring in existing pensions benefits or additional contributions from the employer to cover the cost of ill-health retirements.

The fund also records the benefits paid out of the fund to its members. Any difference between the contributions received into the fund and amount paid out is met by government grant, paid through the Commissioner. This means that the police pension fund always balances to nil.

A summary of the pension fund is shown below.

| Summary Police Pension Fund | Pension Fund A/C 2015/16 £000s | Pension Fund A/C 2016/17 000s |
|---|-----------------------------------|----------------------------------|
| Contributions - Employer | (8,286) | (8,133) |
| Contributions - Officers | (5,305) | (5,179) |
| Contributions - Other | (454) | (419) |
| Benefits Payable | 33,498 | 32,390 |
| Other Payments | 46 | 27 |
| Net Amount Payable | 19,499 | 18,686 |
| Contribution from Home Office | (18,371) | (17,590) |
| Additional Funding Payable by the Constabulary (2.9%) | (1,128) | (1,096) |
| Net Amount Payable | 0 | 0 |

The statement identifies contributions made in 2016/17 totaling £14.83m. The pension benefits that are payable from the fund, together with other payments amounted to £32.42m. The balance between contributions and pensions' benefits paid of £17.59m has been funded by the Home Office. The full pensions fund accounts and note can be found on pages 50-51 of the full statement of accounts.

Supporting Information to the Financial Statements

The key financial statements are supplemented by an explanation of the accounting policies used in preparing the statements which are shown alongside the relevant note in the accounts or in Annex A where they are generic to the accounts as a whole. 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

The Chief Constable for Cumbria Constabulary

Summary Statement of Accounts 2016/17

and abbreviations. The statements are published alongside the Annual Governance Statement for the Chief Constable in accordance with the 2015 Accounts and Audit (England) Regulations.

The Annual Governance Statement of the Chief Constable can be found in (Annex D) of this Statement of Accounts on pages 71-106 or on the Constabulary website at: www.cumbria.police.uk.

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the strong overall financial position of the Commissioner and Chief Constable as at 31 March 2017. This has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of potential future reductions in government funding. This has enabled reserves to be maintained at a level that provides some financial resilience.

Looking forward, whilst the Government decision to add policing to those public services, which are protected from spending reductions in its 2015 Comprehensive Spending Review was welcome, external funding is only protected in cash terms meaning that further savings and efficiencies will still need to be delivered over the coming years to cover inflation.

However, the most significant uncertainty in relation to the Constabulary's future financial prospects is the

potential impact of a new police funding formula, which may be introduced from as early as 2018/19. Although the results of the current process of constructing the new funding formula are as yet unknown, in the previous proposal to change the funding formula in 2015 Cumbria was the worst affected of all forces.

In addition, the financial impact of the implementation of new technology including the new Emergency Services Network, proposed police training requirements and pension costs are likely to put pressure on force budgets over the coming years.

The budget approved on 22 February 2017 for the 2017/18 financial year was set in the context of a four year medium term financial forecast to 2020/21. Given the level of uncertainty the effect of changes to the funding formula are excluded from the core assumptions in the forecast. On this basis further savings of £1.9m will be required by 2020/21. However, scenario planning for a savings requirement of up to £18m are being considered, which are in the context of having already delivered £22m of savings since 2010.

The Commissioner and Chief Constable continue to work towards developing and implementing organisational changes that will seek to address the future gap between expenditure and income.

Risks

The primary focus of the Constabulary's strategic risk register is closely aligned with the financial challenges faced by the Constabulary outlined above and the consequential impact of implementing change across the organisation.

The Chief Constable for Cumbria Constabulary

Summary Statement of Accounts 2016/17

The Constabulary's joint highest scoring risk relates to the potential reduction in service delivery, safety and ultimately public confidence which could result from a significant loss of funding through the new police funding formula.

The other highest scoring risk recognises the threat to performance and additional cost implications of implementing the Emergency Services Network, which is a national system to replace radio communications.

Other strategic risks recognise the increasing difficulty in delivering savings without impacting adversely on frontline service delivery and the the potential impact of constant change on performance across the organisation.

Wherever possible the Constabulary actively mitigates and manages its strategic risks.

project to ensure that an holistic approach to service delivery linked to changing service demand is adopted.

Planned workstreams to generate savings include:

- Using digital technology to improve the efficiency of both operational and business systems and processes.
- Improving the efficiency of support service systems and processes.
- Extending the concept of consolidation of operational resources into hubs, including locality based multi-agency working, with the aim of improving productivity and capacity.
- Realising workforce efficiencies.
- Exploiting opportunities for collaboration with other partners.

Change Programme

In response to the current financial uncertainty presented by the possible introduction of a new police funding formula, the Constabulary has developed a strategy to deal with the outcome, which includes:

- Understanding the impact of sparsity, rurality and geographical isolation on the cost of delivering policing services, supported by academic research.
- Responding to consultation.
- Engagement with the public of Cumbria and key partners.
- Continuing to develop detailed savings proposals and contingency measures, which would seek to bridge a resulting funding gap.

The Constabulary's change programme remains pivotal in identifying and delivering potential savings and will now be incorporated within the Cumbria 2025 vision

The Chief Constable for Cumbria Constabulary

Summary Statement of Accounts 2016/17

Acknowledgements

The financial statements were originally authorised for issue by me as Joint Chief Finance Officer, on 31 May 2017. Following completion of the audit, they were re-authorised by me on 21 July 2017 and were formally approved by the Chief Constable on 21 July 2017.

In closing, it is appropriate to acknowledge the dedication and professionalism of Michelle Bellis Deputy Chief Finance Officer, Lorraine Holme, Simon Nicholson and the wider finance team in again achieving the closure of accounts and the publication of these statements against challenging deadlines and complex changes in the financial reporting standards.

Roger Marshall

Joint Chief Finance Officer

The accounts present a true and fair view of the position of the Chief Constable for Cumbria Constabulary as at 31 March 2017 and its income and expenditure for the year there ended.

[Signature removed for publication on website](#)

Roger Marshall CPFA

Joint Chief Finance Officer

Date: 21 July 2017

[Signature removed for publication on website](#)

Jerry Graham (BA (Hons) MA

The Chief Constable for Cumbria Constabulary

21 July 2017

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Police and Crime Commissioner for Cumbria

Annual Governance Statement 2016/17

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 published alongside the Annual Governance Statement on the Commissioner's website at www.cumbria-pcc.gov.uk

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.

REVIEW OF EFFECTIVENESS

The key systems and processes that comprise the Commissioner's governance arrangements for 2016/17 have been guided by the seven core principles of Corporate Governance from the CIPFA/Solace Governance Framework applicable to the 2016/17 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.
- A review of the governance arrangements in place to support each core principle, culminating in an updated Code of Corporate governance.
- A review of what has happened during the past year to evidence how the governance framework has been complied with.
- A review of the effectiveness of the arrangements for Internal Audit. The review is supported by consideration of the opinion of the Chief Internal Auditor, as set out in her annual report.
- A review of the effectiveness of the Joint Audit and Standards Committee against CIPFA guidance on Audit Committees for Police.

The following paragraphs provide a summary of the Annual Governance Statement, demonstrating how the Commissioner has complied with the governance framework, set out within the Code, to meet each of the seven governance principles. The full version of the Annual Governance Statement is published alongside the Statement of Accounts and also incorporates an action plan of planned future improvements for governance arrangements.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Ethics and Integrity

The Commissioner has in place arrangements for anti-fraud and corruption which have been reviewed in 2016/17. The review concluded that arrangements are effective. Whilst fraud risk remains low within the OPCC office, matters of integrity have been re-enforced including enhanced arrangements in respect of recording gifts and hospitality and/or supplier contact.

During 2016/17, the financial regulations and financial rules were reviewed and updated.

In 2016/17 the OPCC Grant Regulations were reviewed to align with the development of a new Police and Crime Plan. To facilitate this process the Grant Regulations were also reviewed, in conjunction with legal and procurement

advice, with the aim of ensuring that grant awards are made in a fair, transparent and consistent manner and that appropriate conditions are attached to safeguard public money.

In respect of the arrangements for standards, ethics and integrity, no complaints have been received against the Commissioner or members of his office in relation to matters of integrity.

During 2016/17 the Ethics and Integrity Panel have carried out dip sample processes and thematic inspections for a number of different areas of business including public complaints, police misconduct and staff misconduct cases, all of which were found to support high standards of ethics and integrity. This enabled the Police and Crime Commissioner to fulfil his statutory duty to have oversight of the Constabulary's complaints and misconduct processes.

The Panel also conducted three thematic inspections during the year. These being in relation to the Constabulary's Performance Discretion Framework, the use of Stop and Search and the policing of the 2016 Kendal Calling Festival. The findings of the Panel's work, including recommendations, have been reported on a quarterly basis to the Commissioner's Public

Accountability Conference to improve transparency and support public scrutiny.

The Joint Audit and Standards Committee received the 2016/17 annual report of the Ethics & Integrity Panel in May 2017 to support assurances in respect of arrangements for standards and ethical governance.

Respecting the rule of law

Officers within the OPCC receive updates on changes in legislation through their professional bodies, APACCE, PACTS, the APCC and from the government. A jointly funded Legal Advisor post in the Constabulary's Legal Services Department also directly supports the OPCC on legal matters.

During the year formal reviews have been undertaken of the role of the Commissioner's Chief Finance Officer and the Head of Internal Audit (HIA) and the Joint Audit and Standards Committee against the respective CIPFA statements, which concluded there was full compliance.

Principle B: Ensuring openness and comprehensive stakeholder engagement

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Openness

The Commissioner operates in accordance with the Elected Local Policing Bodies (Specified Information) Orders of 2011, 2012, 2013 and the guidance provided by the Information Commissioner. This is demonstrated, documented and communicated through an information publication scheme that ensures the openness of all key information to the public. Examples of information that is published includes agendas and reports of public meetings, guidance on the Commissioner's funds, freedom of information requests, financial information and details of key decisions. A range of communications media are used including the Commissioner's website and social media.

To promote openness and transparency, all Public Accountability Conferences have been advertised to allow members of the press and public to attend.

Unfortunately, on 18 January 2017 the OPCC website became unavailable due to technical issues experienced by the provider. A link to an archived version of the website and an interim solution for new items were established by the 24 January 2017. A new website provided by a new supplier went live on 31 March 2017. Whilst the OPCC was unable to fulfil its obligations for a week, via the website, other means of communication remained available.

Engaging Comprehensively with Institutional Stakeholders

The Commissioner is actively engaged with a wide range of bodies to encourage a multi-agency approach to matters within his remit including:

- Chairing the Safer Cumbria Direction Group which is both the county-wide Community Safety Partnership and Criminal Justice Board for Cumbria.
- Membership of the Cumbria Leaders' Board.

During 2016/17 a range of partnership working initiatives to deliver the Commissioning Strategy and ensure arrangements are in place for victims support services. This has included:

- Creation of a Victim's Consultation Group.

- Provision of funding to support of a range of sexual and domestic violence services.

During 2016/17 the Commissioner's grant regulations and agreements have been developed to encourage and support the delivery of the objectives identified in the Police and Crime Plan.

Key stakeholders including the public were consulted in the development of the new Police and Crime Plan. In particular their views contributed to three key documents used in formulating the plan, the Victims Needs Assessment, Young person's feedback via the 'Risky Business project' and a Sexual Violence Needs Assessment. The Police and Crime Plan states how the Commissioner will work in partnership to deliver the Police and Crime Plan where he advocates a 'we not they' approach.

Engaging Stakeholders Effectively including Citizens and Service Users

The Policing Protocol Order highlights the accountability of the Police and Crime Commissioner to local people. This responsibility is delivered through the OPCC 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.

The Commissioner is directly involved in many of the engagement activities and encourages the Commissioner's ethos of 'we, not they' to emphasise that communities, stakeholders and partners need to all work together to help deliver the Police and Crime Plan, and keep Cumbria safe. During 2016/17 engagement included:

- Public surgeries/drop-ins at various locations.
- Numerous speaking engagements and attendance at public events.
- Meetings with a diverse range of community groups
- Media engagements.
- Surveys, Cumbria Community Messaging, Association (CNWA), the Commissioner's website, twitter, facebook and a bi-monthly newsletter

The Commissioner's Public Accountability Conference is open to the public and supports engagement.

The Commissioner launched a public consultation to help shape the Police and Crime Plan for 2016-2020 which identified the top 5 priorities as:

- Ensuring the police tackle crime and anti-social behaviour;
- Providing a visible police presence;
- Tackling grooming and child sexual exploitation;
- Tackling domestic abuse;
- Improving services for people with mental health conditions and reduce the demand of crisis situations on the police.

The Commissioner also carried out a 'light touch' consultation around the setting of the policing precept for 2017/18 budget.

Through the public raising issues, the Commissioner is able to raise concerns with the Chief Constable regarding Quality of Service Issues.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Defining Outcomes

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. A new Police and Crime Plan was launched in November 2016, following the appointment of a new Police and Crime Commissioner for Cumbria.

The Police and Crime Plan 2016-2020 contains the police and crime objectives which all contribute toward achieving the PCC's overall aim 'to make Cumbria an even safer place'. Each objective is supported by actions that the Constabulary and/or partners will undertake to contribute to successful outcomes. These objectives and actions are underpinned by performance measures used to assess how well the objectives are being achieved,

which are set out in the PCC's Performance Management Framework.

The priorities within the plan are:

- 1 Your Priorities For Cumbria
- 2 A Visible and Effective Police Presence
- 3 Tackle Crime and Anti-Social Behaviour
- 4 Ensure Offenders Face A Consequence For Their Crime
- 5 Always Put Victims First
- 6 Focus our Police on Online and Sexual Crime
- 7 Spend your Money Wisely
- 8 Supporting Young People

Key performance indicators were set with the Chief Constable at the start of the financial year in support of the objectives within the new Police and Crime Plan. A comprehensive Accountability Framework, HMIC Inspections and Value for Money Reports support the Commissioner in holding the Chief Constable to account for performance of the force.

The Chief Constable is held to account for delivery of the objectives through the PCC's Public Accountability

Conference. A reporting Schedule is maintained and agreed with the Constabulary. The PCC monitors performance in a number of areas of policing including public protection (domestic abuse, sexual violence and child sexual exploitation), uniformed policing, offending and serious crime, rural crime, equality and diversity, finance, and ethics.

The PCC regularly reviews progress against his police and crime objectives. Where grants have been awarded, the awards are made against agreed timescales and milestones for delivery and include success criteria or performance measures.

A Commissioning Strategy and framework combining procurement, partnership working and contract management is currently under review.

Sustainable economic, social and environmental benefits

The Head of Partnerships and Commissioning ensures that the services commissioned are consistent with the PCC's objectives as set out in the Police and Crime Plan 2016-2020. For the financial year 2016/17, the PCC committed over £1.5m to projects and initiatives aimed at reducing offending and re-offending and supporting

victims of crime. A significant proportion of that funding has been committed to supporting the reduction in domestic abuse and sexual violence.

A joint **Social Value Policy** is in development between the Office of Police and Crime Commissioner and Constabulary Procurement Department.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Planning & Determining Interventions

During the course of 2016/17 the Commissioner's Public Accountability Conference received Constabulary assurance 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). This enabled the Commissioner to hold the Chief Constable to

account. Crime levels, public satisfaction and police performance have been regularly monitored

The Commissioner chairs the Cumbria 'Out of Court (OoCDs) Disposal Scrutiny Panel'. OoCDs allow the police to deal quickly and proportionately with low level, often first time, offending, which can be appropriately resolved without a prosecution at court. The Panel seeks to increase the public's understanding, confidence and trust in how the Constabulary uses OoCDs.

During the last year, the Commissioner has continued to build on partnership working to address priorities in the Police and Crime Plan. Priorities have included:

- working with partners on an action plan to tackle hate crime.
- 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 alcohol and drugs abuse, domestic violence, local crime prevention, and antisocial behaviour.

The new Commissioner approved his first budget in February 2017. The £111m provided to the Constabulary supported continued stability in the number of Police Officers and Police and Community Support Officers and additional investment in investigators to tackle historic cases.

The most significant factor influencing future financial strategy is the government's review of police formula funding, which has the potential to make a significant reduction in grant funding to Cumbria. The OPCC and Constabulary are jointly working, and have commissioned academia, to better understand demand and resource implications with the aim of ensuring robust decision making in the event that funding is reduced.

Optimising Achievement of Intended Outcomes

All planning is undertaken in the context of a four year medium term financial strategy, incorporating financial modelling, operational plans and capital strategies, which will be updated in 2017/18 following the outcome of the formula funding review.

Recommendations contained in a victim's needs assessment, conducted by the Victims Advocate in 2016/17, have provided a clear focus of activity for the PCC and partners' work and future commissioning

strategy to keep victims safe and at the heart of the Criminal Justice system. During 2016/17 the Commissioner has:

- Funded Independent Domestic and Sexual Violence Advisors in hospitals
- Established a Victim Care Unit in Cumbria.
- Provided funding for Cumbria Restorative Services Hub
- Funded 'Chelsea's Choice', a production for children raising awareness of Child Sexual Exploitation
- Funded a Domestic Violence Advisor service
- Funded dementia projects
- Established two Vulnerable Localities Index
- Commissioning Victim Support to provide emotional, practical, advocacy and signposting services
- Provided support for witnesses attending Coroner's Courts.
- Continued to develop and fund the Bridgeway Sexual Assault Support Services
- Introduced county-wide Perpetrator Programmes "Turning the Spotlight" for domestic abuse.
- Funded 'I Feel the Hate' Hate Crime production for children
- Developed the **Cumbria Together website**

- Commissioned a service 'Keep Safe'
- Funded "Brake" specialist support for bereaved families of victims of Road Traffic Accidents.
- The Commissioner's Innovation, Community and Property Funds also continue to provide financial support for numerous projects working with victims across Cumbria. Community Fund, Innovation Fund and Property Fund

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Developing the entity's capacity

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.

During 2016/17 the Commissioner has reviewed the arrangements for the structure of the office in the context of benchmarking, which showed that total running costs of the OPCC remain competitive compared to statistical neighbours.

Following the structure review and from April 2017, the Commissioner and Chief Constable have determined to put in place an arrangement for a shared Chief Finance Officer. A protocol and range of safeguards have been put in place to handle potential conflicts of interest arising from the joint role.

The leadership structure will remain under review during 2017/18 as a result of the planned retirement of the Chief Executive and wider responsibilities around blue light collaboration.

A revised procurement strategy and procurement regulations were approved in February 2017.

Developing the entity's leadership

The Chief Executive receives support through the Association of Police and Crime Commissioner Chief Executives (APACCE), while 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 2016/17 development activity for members of the Audit and Standards Committee included a day overseeing operational policing activity, a session contributing to the new Police and Crime Plan and seminars on treasury management and the medium term financial forecasts. A formal review of effectiveness of the Committee against the new CIPFA guidance for Audit Committees evidenced compliance with CIPFA guidance and elements constituting best practice. 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>.

The four Independent Custody Visiting Panels continue to operate. Developments during the year included:

- Recruitment campaigns to attract new candidates.

- Induction training courses.
- Membership of the Independent Custody Visitors Association (ICVA).
- Attendance at national and local conferences
- Scrutiny of the Animal Welfare Scheme, which looks at the welfare of police dogs

Developing the capability of individuals within the entity

During 2016/17 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 staff within the office participate having undertaken 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, equality and diversity, risk management, coaching and fire safety.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Managing risk

During the year the Commissioner's Risk Management Strategy was reviewed and updated to reflect the current risk environment. The updated strategy was supported by the Joint Audit and Standards Committee.

Risk has become embedded within the everyday work of the OPCC, staff continually assess risks within their roles. Both strategic and operational risks are reviewed on a quarterly basis and appropriate updates made. The Commissioner also provides scrutiny of the Constabulary's management of strategic risks.

The Commissioner's arrangements for Risk Management include procedures for Business Continuity which are reviewed and tested throughout the year.

Managing Performance

The Public Accountability Conferences facilitate arrangements for the scrutiny of quarterly performance updates and thematic reports around priority areas of policing including, domestic abuse, child sexual exploitation, sexual offences, rural crime, anti-social behaviour and reducing reoffending. This is supported by regular one to one meetings between the Chief Constable and Commissioner. The Commissioner also monitors the implementation of actions and recommendations arising from inspections including those undertaken by HMIC.

The Police and Crime Panel have met five times during 2016/17. All meetings are held in public, providing an open and transparent process for scrutinising the decisions and work of the Commissioner. During 2016/17 the Panel placed a significant focus on the commissioning elements of the Police and Crime Plan accountability in relation to Victims and Domestic Abuse, Sexual Violence and Hate Crime. The Panel also considered and supported the Commissioner's proposed precept for 2017/18 and have been briefed on the implications of the Home Office Police Formula Funding Consultation.

Robust Internal Control

During 2016/17 a number of areas of the corporate governance framework have been subject to cyclical review and update. This process is supported by the professional advice of the Joint Audit and Standards Committee. During 2016/17 the Committee has considered and provided scrutiny of the Financial Regulations and Financial Rules, Grant Regulations, the Code of Corporate Governance, Risk Management Strategy, the Internal Audit Charter, Treasury Management Strategy, Statement of Accounts and Annual Governance Statement.

Internal controls have also been reviewed through the annual process of management assurances and the annual internal audit plan. Of the 20 audits conducted through the plan, 70% have received either reasonable or substantial assurance. The Chief Internal Auditor's overall opinion has concluded that the Commissioner's frameworks for governance, risk and internal control are reasonable and that controls are generally working effectively in practice.

Managing Data

The OPCC operates within the parameters of legislation governing the protection of data, ensuring that all data is

appropriately stored and shared where necessary. Information is provided to members of the public under the Freedom of Information Act, with requests and responses published on the Commissioner's website. The Ethics and Integrity Panel provide additional assurance in this respect. Physical data within the OPCC is held securely with appropriate office and cabinet security provided.

Strong Public Financial Management

At the Executive Board meeting of 24th February 2016, Mr Rhodes, the former Commissioner, set the 2016/17 annual budget and precept in the context of a medium term financial strategy 2016-2020. In line with his duty to maintain the police force the Commissioner agreed a net budget of £111m for the Chief Constable for the 2016/17 financial year and a funding arrangement that codifies the terms for that funding including arrangements for financial management. The budget included £2.5m funding for 2016/17 within a commissioned services budget for victims, community safety and crime reduction.

During 2016/17 the Commissioner received regular financial reports including revenue and capital budget monitoring and treasury management. A new format of financial reports been adopted in 2016-17 to improve

accessibility. Financial reports are published on the Commissioner's website.

The Commissioner has also approved a revised and updated set of financial regulations and rules as part of the cyclical review processes for financial management.

The outcome of all audits of financial arrangements during 2016/17 was an opinion that provided either reasonable or substantial assurance.

During 2016/17 budget resources and the impact of formula funding remained the Commissioner's single strategic risk. A number of mitigation measures have been put in place including work to financially model the impact of funding losses and membership of the National Rural Crime Network (NRCN), through which, studies have been commissioned to demonstrate the costs of delivering rural policing services.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Implementing good practice in transparency

During 2016/17 the Commissioner has prepared for publication a first 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.

Throughout the year the Commissioner has published financial monitoring information. Monitoring reports have been developed to present a revised, shorter and more succinct format that aims to increase the transparency and accessibility of financial information. Further to this, the reported financial statements published in May 2016 introduced the statutory Chief

Finance Officers' Narrative Report. The Narrative report incorporates a more accessible summary of the statements and financial and performance information alongside a business review.

Implementing good practices in reporting

The Commissioner's activities, performance and achievements have been published in an annual report, which can be found on the Commissioner's website at www.cumbria-pcc.gov.uk. It highlights the commissioner's key achievements during his first year, including:

- Published the Police and Crime Plan, 2016-2020;
- Setting the policing budget for 2017/18
- Launch of the Cumbria Youth Commission
- Funded numerous community projects
- Launched a new, refreshed website, to increase accessibility and improve the user experience

A revised and updated Code of Corporate Governance was adopted in line with the 2016 CIPFA Good Governance Framework for Local Government. An internal audit of the Code to provide assurance that CIPFA good governance framework had been met.

A review of the arrangements for internal audit have confirmed that the service meets the requirements of the Public Sector Internal Audit Standards (PSIAS) during 2016/17.

The Commissioner's unaudited financial statements were released in May with the final version published in July, thus meeting new deadlines for financial reporting ahead of schedule. The External Auditor's Audit Findings report noted the accounts were prepared to a good standard. The finance team's work on financial reporting and accessibility has been included in a nomination to the 2017 Public Finance Innovation Awards.

Assurance and effective accountability

The external auditor's opinion for the 2015/16 financial year was that the Commissioner's Financial 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 Annual Audit Letter that the Commissioner had proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

Implementation of recommendations arising from the internal audit plan, external audit reports and HMIC are monitored by the Joint Audit and Standards Committee.

The Ethics and Integrity Panel monitors and reports on some specific areas of activity, such as complaint handling and ethical issues.

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:

Office of the Police & Crime Commissioner
Carleton Hall
Penrith
Cumbria CA10 2AU

Telephone: 01768 217734

E-mail: commissioner@cumbria-pcc.gov.uk

*Peter McCall

Police and Crime Commissioner for Cumbria

*Stuart Edwards
Chief Executive

*Roger Marshall
Chief Finance Officer

21 July 2017

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

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The Chief Constable for Cumbria Constabulary

Summary Annual Governance Statement 2016/17

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

The Chief Constable for Cumbria Constabulary (the Chief Constable) is responsible for ensuring business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for the governance of affairs and facilitating the exercise of functions, which includes arrangements for the management of risk.

The key elements of the system and processes that comprise the Chief Constable's governance arrangements are detailed in this section. The elements are based on the seven core principles of Corporate Governance from the CIPFA/Solace Governance Framework, the standard against which all local government bodies, including police, should assess themselves.

The Chief Constable has approved and adopted a Code of Corporate Governance 'The Code'. The Code gives clarity to the way the Chief Constable governs and sets out the frameworks that are in place to support the overall arrangements that are in place for fulfilling the Chief Constable's functions. This statement explains how the

Chief Constable has complied with The Code. It also meets the requirements of regulation 6(1) and 10(1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement, which must accompany the Chief Constable's statement of accounts.

THE REVIEW OF EFFECTIVENESS

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

- A cyclical detailed review of the key documents within the Chief Constable's governance framework e.g. Financial Regulations.
- An overarching review of the governance arrangements in place to support each core principle within the CIPFA Solace guidance.
- A review of what has happened during the past year to evidence how the Code has been complied with, which is articulated in the Annual Governance Statement.

- A review of the effectiveness of the arrangements for internal audit against the Public Sector Internal Audit Standards and the Internal Audit Charter.
- Formal reviews of the role of the Chief Constable's Chief Finance Officer and the Head of Internal Audit (HIA) against the respective CIPFA statements, which demonstrated full compliance.
- A review of the effectiveness of the Joint Audit and Standards Committee against CIPFA guidance.

The following paragraphs provide a summary of the Annual Governance Statement, demonstrating how the Chief Constable has complied with the governance framework, set out within the Code, to meet each of the seven governance principles. The full version of the Annual Governance Statement is published alongside the Statement of Accounts and also incorporates an action plan of planned future improvements for governance arrangements.

Jeremy Graham

Chief Constable

21 July 2017

Roger Marshall

Joint Chief Finance Officer

Signatures have been removed for the purposes of publication on the website

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Ethics and Integrity & Respecting the Rule of Law

During 2016/17 the Constabulary took a pro-active approach to communicating and promoting the highest standards of integrity in all elements of its business. Work has continued to embed and develop ethical behaviour based on:

- The Constabulary's Corporate Values
- The College of Policing Code of Ethics.
- Preventing the abuse of authority for sexual gain.
- The Constabulary's Anti-Fraud and Corruption Policy and Procedures.
- Responding to Her Majesty's Inspectorate of Constabulary (HMIC) recommendations from its 2016 legitimacy inspection.

These arrangements are supported by the Director of Legal Services, who is a qualified solicitor and acts as the Chief Constable's 'Monitoring Officer', providing advice to the Constabulary on all legal matters and is consulted on

all strategic decisions to ensure that laws are not contravened.

The Constabulary's Professional Standards Department is central to the maintenance of high standards of conduct and behaviour within the organisation. The priorities of the Constabulary's Professional Standards Department are shaped by a Strategic Assessment, which seeks to predict future risks as a basis developing a control strategy. The Strategic Assessment was refreshed in 2016 and has highlighted a number of priorities including anti-corruption, information security and vulnerable association.

The Professional Standards Department operate a preventative approach designed to ensure all officers and staff are aware of their responsibilities and potential consequences if their conduct falls below required professional standards. This includes the issue of PASS newsletters, which provide guidance on matters of integrity. Subjects covered in 2016/17 have included property handling, missing persons, safe handling of detainees in custody, harassment notices, compliance with National Crime Reporting Standards and dealing with vulnerable people.

During 2016/17 HMIC conducted a Legitimacy inspection of the Constabulary as part of the force's PEEL Inspection,

this covered the conduct and behaviour of the force. The report graded Cumbria as good and did not identify areas of concern and made no specific recommendations.

During 2016/17 refresher training on the Code of Ethics has been provided to managers and cascaded to all officers and staff.

There has been an increase in the number of intelligence reports received into the anti-corruption unit, however, most of these relate to self-referrals, indicating that officers and staff are responding to prevention guidance from PSD.

In relation to complaints, during 2016/17 the number of complaint allegations reduced by 11% and the number which required investigation also fell by 10%. When compared to most similar forces, both the level of complaints (expressed per officer) and the percentage of those complaints upheld, remain below the national average.

In the interests of openness and transparency, police misconduct hearings are now held in public. Two public misconduct hearings took place in 2016/17 and both officers were dismissed from the force. All such hearings will continue to be presided over by a legally qualified

chair. The outcomes of misconduct hearings are now publicised on the Constabulary website.

The Ethics and Integrity Panel continue to provide independent oversight for the OPCC and Constabulary in relation to standards, ethics and integrity. During 2016/17 the Panel carried out three thematic inspections in relation to the Performance Discretion Framework, the use of Stop and Stop/Search and the policing of the 2016 Kendal Calling Festival. The Panel also reviews 'Quality of Service and Policing Issues' raised by members of the public including public complaints, police misconduct and staff misconduct cases. The Panel's work is reported to the Commissioner's Public Accountability Conference on a quarterly basis. Whilst the Panel's conclusions provide assurance high standards of ethics and integrity, where applicable, recommendations to enhance or improve the level of service provided by the Constabulary have been made.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Openness

To support transparency and ensure that the Chief Constable's vision is clearly communicated, the Chief Officer Group have held strategy days for senior management and road shows across county, which were open to all officers and staff. This has been supported by a range of communications across the force through various mediums including the internal intranet site and noticeboards.

Engaging Effectively with Institutional Stakeholders

The Constabulary works closely with the OPCC through formal mechanisms (such as Public Accountability Conferences and Collaborative Board meetings) and informally through one to one meetings with senior staff from both organisations.

The Constabulary recognises that working with partners can deliver a more effective policing service to the public and meet the aims of the Commissioner's Police and

Crime Plan. Accordingly, the Constabulary actively participates in a range of partnership activities and functions in collaboration with other agencies, both at a strategic and tactical level. Examples include:

- the Local Resilience Forum (major incident planning)
- the CRASH partnership (road safety)
- the Safer Cumbria Action Board
- the Local Safeguarding Board (child protection)
- Community Safety Partnerships
- The Cumbria Alcohol Board (countering alcohol abuse)
- Combating anti-social behaviour
- A particular priority in 2016/17 has been developing links with criminal justice and mental health agencies and other blue-light partners.

In accordance with the Joint Financial Regulations and Rules, arrangements are in place to ensure that for significant partnerships and joint working relationships there is appropriate governance including, a legal power to engage, appropriate approval by the Chief Constable and Commissioner, clear objectives, documentation of financial and other resource commitments and risk assessment.

Engaging stakeholders effectively, including citizens and service users

The Constabulary has a Community Engagement and Consultation Strategy, which co-ordinates all on-going consultation activities and is refreshed on an annual basis to understand the needs of service users. During the year, the Constabulary consulted with the public to find out their priorities, how confident they felt, how they would like to be engaged and their areas of concern. These informed the development of the Constabulary's and Commissioner's plans.

Following consultation, victims of crime and antisocial have been supported by improvements in, customer journey mapping analysis into reasons for a decline in satisfaction levels for victims of ASB, compliance with the victims code through self-assessment and production of an Engaging with Communities reporting dashboard.

The Constabulary has developed a marketing and communications strategy aimed at establishing clear channels of communication with all sections of the community, providing crime prevention and safety advice as well as information about services. Access to information has been developed to include community messaging and all social media. The Constabulary's e-community has grown and is now at more than 115,000 followers.

Engagement with the public is pivotal to the work of Neighbourhood Policing Teams (NPTs) in determining local priorities. This is achieved through Community Engagement Plans, which detail contact with all stakeholders particularly those that are hard to reach or with protected characteristics. The Community Engagement Strategy includes:

- clear communications with schools
- Attendance at Town Council meetings
- Holding community/partnership meetings
- Police Desks
- Use of web and social media
- Specific engagement plans for the 15 geographical areas, which are available on the intranet for officers and on the website for the public.
- Publication of local crime and performance data on the Constabulary's website to aid transparency.

These arrangements are supported by a toolkit, which is available to officers.

Specific initiatives in relation to diversity and equality and hate crime provide cross cutting engagement support across all areas of activities.

The Constabulary uses Community Impact Assessments to identify issues that may affect a community's confidence in the ability of the police to respond

effectively to their needs, thereby enhancing the police response, particularly after major incidents.

The Constabulary has carried out a staff engagement exercise, working with academia to assess the wellbeing and culture of the force. The results have informed the development of a plan of action linked to the Well-Being Strategy.

Core Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Defining Outcomes

The Chief Constable determined the strategic direction for the Constabulary, which is '*Keeping Cumbria Safe*'. Following consultation, the Chief Constable the Chief Constable developed the Plan on a Page. This plan outlined the Constabulary's BIG 6 priorities:

- Engaging with communities and working with partners
- Preventing crime, road casualties and antisocial behaviour
- Managing offenders
- Managing calls for service
- Protecting vulnerable people and communities

- Investigating crime, caring for victims and bringing offenders to justice

Under each of the BIG 6 priorities, there is an improvement plan, with each key function or specialism within those priorities led by a Professional Lead.

The Commissioner approved these key objectives and incorporated them into his Police & Crime Plan to complement his aims.

In addition, the Plan on a Page identifies what will be done to support officers and staff to deliver the best service possible, explains our policing style and the Chief Constable's Leadership Standards.

The Plan on a Page shows how everyone in the organisation contributes to the overall aim of *Keeping Cumbria Safe* and improves knowledge and understanding by linking strategic objectives to operational and business daily activity on the ground and maintaining performance.

Sustainable economic, social and environmental benefits

During 2016/17 the Commissioner incorporated the Constabulary's budget proposals into his 2017/18 budget in the context of a medium term financial forecast (MTFF) covering four years to 2020/21. The budget included investment in a number of priority themed areas where

budgetary or workload pressure emerged in 2016/17 including training, ICT, criminal justice and historic investigations.

The potential implications of the Home Office review of the police funding formula continue to pose a significant threat to government funding levels beyond 2017/18 and has introduced an unusually high level of uncertainty into future financial forecasts. As a consequence a range of budget scenarios are being considered which generate a savings requirement of between £2m and £12m over the life of the MTFF.

Work is on-going, in consultation with the Office of the Police and Crime Commissioner, to develop options to address the savings requirement. The Constabulary's Change Programme has played a critical role in delivering savings required to balance the Constabulary's budget.

During 2016/17 the Change Programme:

- Delivered revenue savings of £2.5 million.
- Undertook extensive demand analysis.
- Undertook a review of administrative processes across back office functions.
- Undertook a detailed demand review of crime investigations.
- Developed an action plan for the Command and Control Room.

The demand analysis demonstrated that demand has altered significantly for the police service, with both crimes and incidents increasing in complexity and, therefore, using more resources and taking longer to resolve. In response, during 2016/17 the Constabulary has engaged with the National College of Policing Demand Reduction initiative, to develop local plans to reduce demand using Vulnerable Locations Indexing (working with partners to develop multi agency strategies to address problems and reduce demand) at two locations in Cumbria.

The Constabulary continues to promote innovative business planning and has been particularly successful in rolling out mobile devices, with police specific applications, to all officers, with the aim of increasing visibility and productivity.

In the context of financial uncertainties and changing demand, a corporate plan entitled Cumbria 2025 is being developed which brings together demand prediction and reduction, business planning and change in a single plan aligned to the National Policing Vision. The scope of the existing Change Programme deliverables has had to reduce in response to the demand findings but will aim to provide scalable options for savings from £2 - 6 million.

During 2016/17 the Constabulary has continued to develop its business planning aligned to the MTFF. Refreshed strategies in relation to ICT, fleet, estates and procurement have been produced and agreed by the Commissioner. In addition, a People Strategy has been developed and agreed.

Investments in mobile and digital technology and replacement of core ICT systems, to increase the productivity of officers, continue to be delivered and regular progress reports produced for the Commissioner.

A People Strategy has been developed and agreed to support the Constabulary in “Keeping Cumbria Safe”.

The key themes of the People Strategy are:

- Health Safety and Wellbeing
- Workforce Planning, Recruitment and Talent Management.
- Employee Relations
- Reward and Recognition
- Managing Change
- Learning and Development

A review of Human Resources was carried out in 2016/17, which resulted in the creation of a People Department which brings together HR and Professional Standards, Wellbeing Occupational Health, Safety and Workforce Planning in one function.

Core Principle D: Determining the interventions necessary to optimise the achievement of intended outcomes.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Planning Interventions

The Chief Officer Group is the Constabulary’s strategic decision making forum. In the last 12 months key decisions have included considering and approving:

- Demand reviews
- Business strategies
- Financial updates (including the budget proposal)
- Governance documents
- Business cases in relation to operational and support functions.

All decisions support delivery of the Chief Constable’s vision. Decisions are minuted and subject to scrutiny by the Commissioner. Members of the Chief Officer Group have also attended meetings of the Police and Crime Panel to provide context to Commissioner’s precept proposal.

Determining Interventions & Optimising Outcomes

The Constabulary worked with the Office of the Police and Crime Commissioner (OPCC) to develop the performance framework. This set of measures and targets supports delivery of the Police and Crime Plan and is the mechanism used by the Commissioner to hold the Chief Constable to account. Progress against these measures has been reported to the Commissioner every quarter at the Public Accountability Conference.

Performance for all crime types, antisocial behaviour, road collisions, user satisfaction and productivity is monitored on a monthly and corrective action taken to address exceptions.

This is supported by thematic reports for specific areas of activity, which are discussed at the Commissioner's Public Accountability Conference. Reports in 2016/17 included domestic abuse, rural crime, use of stop search, equality, vulnerability, roads policing and countering anti-social behaviour.

Overall, the Constabulary performs well and has achieved a significant reduction in anti-social behaviour, falling by 14% in the year to December 2016. User satisfaction levels are consistently high.

The Constabulary's board structure and governance are continually reviewed. During 2016/17 membership of the Collaborative Board was extended to improve joint working with the Office of the Commissioner and a new Force Resourcing Panel established to provide improved scrutiny of staffing matters. Changes to working practices have also been made in 2016/17 to better integrate work streams and provide greater clarity on the decision-making powers of boards and managers.

In the context of the on-going need to identify savings and improve productivity, the Force Strategic Delivery Board, remains a key forum in which change proposals are developed and finalised prior to agreement by COG.

In the operational environment, on a monthly basis, senior police officers carry out a full assessment of operational risk, harm and threat to communities and an assessment of performance changes and their root causes. This encompasses consideration of vulnerable people, repeat offenders, vulnerable missing from home, significant domestic abuse, prison issues, organised crime groups, threats to life crime and anti-social behaviour trends. Action has been taken and resources tasked to deal with the operational issues raised.

Every day, officers in each Territorial Policing Area hold a Daily Management Meeting, which identifies the crimes

and incidents that have occurred over the previous 24 hours and any vulnerable or high profile incident. A supporting force-wide Daily Operational Review Meeting ensures that resources are directed to meet strategic priorities across the county.

As part of the Constabulary's work on managing demand, the principles of THRIVE (threat, harm, risk, investigative opportunity, vulnerability and engagement) have been introduced within the communications room when grading calls for service and, as part of the National Decision Making Model, deciding whether to deploy officers to incidents.

Core Principle E: Developing entity's capacity including the capability of its leadership and the individuals within it.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Developing the Entity's capacity & leadership

The key functions and roles of the Chief Constable and the Police and Crime Commissioner are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011 (PPO). The Chief Constable's statutory responsibilities for maintaining the

Queen's Peace are set out in various Police Acts. Both the Chief Constable and Commissioner are statutorily required to employ a Chief Finance Officer.

In April 2017 it was decided to share a Chief Finance Officer across both organisations. A formal protocol to manage potential conflicts of interest arising from this arrangement have been developed.

The Constabulary has used HMIC Value for Money profiles and Police Objective Analysis to inform its Change Programme and applied zero based budgeting, with robust financial challenge to budget holders, to secure maximum value from the resources available. In general, the VFM work has shown the Constabulary to benchmark well, although, in some instances costs may appear to be relatively high when measured per head of population. This is principally attributable to the logistics of providing an effective policing service over such a geographically sparse county. The understanding gained from the Constabulary's Value for Money analysis has informed consultation responses on the Police Funding Formula changes.

During 2016/17 the Constabulary has participated in detailed back office and ICT benchmarking exercises.

During 2016/17 the Procurement Strategy was refreshed and embedded with the aim of ensuring compliance with relevant legislation, transparency and value for money.

Developing the Capability of Individuals within the entity

The Constabulary's annual training plan was developed in early 2016/17 in conjunction with operational leadership teams in the context of best practice guidance from the National Police Chief's Council.

The training plan was delivered through a strategic training collaboration with Lancashire Police, which has delivered benefits through:

- Increased capacity to deliver training, which has been particularly beneficial to accommodate the increased level of recruitment in 2016/17.
- Reduced costs.
- Harmonisation of course content based on best practice across the forces.

During 2016/17 the strategic training collaboration agreement with Lancashire Police was evaluated and extended for a further 5 years.

During the year there has been particular focus on the design of a skills and leadership programme, focused on five main areas:

- Street Skills - to provide operational and technical skills needed by officers and staff at all levels
- Leadership Modules
- An Executive Leadership Programme to support senior managers in leading change.
- Development of an Electronic Learning Hub, which is a platform for on-line learning and knowledge transfer.
- A Talent Management programme for middle managers.

In 2016/17 the Constabulary further developed the Management of Serious Crime Investigations Development Programme (MSCIP) was introduced in partnership with Lancashire and Merseyside Constabularies.

Key elements of training delivered in 2016/17 were:

- Vulnerability Training (Child Sexual Exploitation & Domestic Abuse)
- Stop & Search.
- ICT mobility programme

During 2016/17 Cumbria Constabulary reintroduced a Performance Development & Review (PDR) for all its staff. PDR is based on the national College of Policing model focusing on personal responsibility for development built around a central competency framework. The PDR system

is an interim model whilst work is undertaken to introduce the Competency & values Framework into Cumbria in 2018.

The National Police Promotion Framework (NNPF) was introduced in 2015/16. On the 1st April 2015 the Police (Promotions) Regulations 2015 amended the method by which police officers in England and Wales are promoted to the rank of Sergeant and Inspector. The changes to the process, including the requirement to undertake work based assessments, have been embedded.

Core Principle F: Managing risks and performance through robust internal controls and strong public sector management.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Managing risk

Risk management is a standing agenda item on all Constabulary boards, including programme and project management boards. Mitigating actions are identified and tracked to ensure that risks are minimised. Accredited training in respect of risk management and procurement fraud risk was provided to relevant staff in 2016/17.

During 2016/17, specific risks associated with the potential reduction in funding as a result of the police funding formula review and the introduction of the Emergency Services Network have featured prominently on the Constabulary's strategic risk register.

Managing performance

A strategy entitled – '*Performance management in Cumbria Constabulary*' *Managing our resources to improve outcomes for the people of Cumbria*' outlines is embedded within the Constabulary. This is achieved mainly through the use of:

- Joint Tasking and Performance meetings
- Monthly strategic briefings to senior management, including a high level performance matrix, detailed root cause analysis and recommended actions to take.
- Performance as a standing item on all senior management team meetings.
- Specific focus on performance in relation to protecting vulnerable people.
- Performance Development Conferences every four months, where all functions are held accountable for performance including crime, sickness and data quality
- Reviewing performance at Strategy Days.

- An information strategy and performance dashboard to support the BIG 6 priorities, showing demand, productivity and outcome data ambitions
- Accessible daily performance figures.
- An individual officer performance dashboard and performance meetings every 15 weeks.
- Re-introduced a formal performance development and review (PDR) process for all officers and staff, in accordance with College of Policing guidance. This is an annual process and determines the competence of individual officers and staff, based on the Police Professional Framework.

During 2016/17 the Constabulary established a Business Improvement Unit whose role is to provide reassurance to Chief Officers:

- that priorities and recommendations from inspection bodies are being progressed through reality checking.
- Systems and processes are working effectively.

A Delivering Excellence strategy was developed and implemented during 2016/17. This strategy aims to embed continuous improvement across the Constabulary and has four key areas of work:

- Development of Business Improvement Plans based on our priorities and all HMIC recommendations.
- Improving on standards and quality across policing activities known as the Quality Counts initiative.

- Harnessing ideas and suggestions for improvement

Robust internal control

The Constabulary maintains robust internal controls systems. Assurance with regard to internal controls is provided by:

- A risk based internal audit plan. 70% of audits in 2016/17 audits including all those relating to finance were graded as providing either substantial or reasonable assurance.
- The Chief Internal Auditor's opinion that robust internal controls are in place and not identified areas of significant concern.
- Action plans to respond to recommendations, the implementation of which is monitored by the Audit and Standards Committee.
- An Audit and Standards Committee, which is self assessed against CIPFA guidance, and is judged as being highly effective in its role.

Managing Data

During 2016/17 arrangements for managing data have been strengthened as follows:

- Review and update of core information security and records management strategies.
- Greater clarity on the identification and responsibilities of information asset owners and

reporting to the force Senior Information Risk Owner (SIRO).

- Implementation of the amended Government Security Classification with training provided to staff.
- Independent audit of arrangements for information security.

Strong public financial management

Strong financial management provides a framework for all business decision making and planning within the Constabulary. This includes the Chief Finance Officer being a member of the leadership team and finance representation at all significant decision making forums. Regular financial reporting, clear budget ownership and responsibilities (as set out in the Chief Constable's Scheme of Delegation and scheme of budget management.) and consideration of the medium term financial position in all strategic decision making.

The Constabulary's Statement of Accounts for 2015/16 received an unqualified audit opinion and praise from the external auditor for the quality of the statements and that they were published in advance of the new statutory deadline of the 31st July, two years ahead of schedule. The strong track record in financial management has also been recognised by the HMIC in their Efficiency inspection in 2016/17.

During 2016/17 both the Joint Financial Regulations and Rules were updated and subject to scrutiny by the Joint Audit and Standards Committee.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Implementing good practice in Transparency & Reporting

The principal means by which the Constabulary reports to the public are through themed presentations to the Commissioner's Public Accountability Conferences, which are open to the public. Reports are also available through the Commissioner's website. During 2016-17 work has been undertaken to improve the presentation of these reports to make them more accessible and readable for members of the public.

The Chief Constable's audited accounts were signed on 28 July 2016 and published alongside the report of the independent auditors (Grant Thornton) on the financial statements. The auditors opinion was that the statements provided a true and fair view of the financial position of the Chief Constable as at 31 March. In addition, the auditors commented favourably on the high quality of the

accounts and supporting working papers in the context of achieving the new tighter deadline for publishing the accounts by the 31st July, two years ahead of requirements. The auditors further confirmed in their annual governance report on 28th July 2016 a positive conclusion with regards to securing value for money.

Assurance & Effective Accountability

During 2016/17 the Constabulary has been inspected by HMIC and received reports on police efficiency, effectiveness and legitimacy (known as PEEL). There are four grades that can be achieved - outstanding, good, requires improvement and inadequate.

The Constabulary has been rated as good for the efficiency, effectiveness and legitimacy. Specific strengths recognised included:

- preventing and investigating crime,
- tackling antisocial behaviour,
- tackling serious and organised crime
- keeping people safe,
- understanding of the threat and risk of harm to its communities
- financial management
- change management,
- use of technology

Areas for improvement were identified as understanding and predicting demand, plans for future savings, risk assessments for vulnerable people and vetting

HMIC has also conducted thematic inspections for child protection, modern slavery, stop and search and human trafficking. A small number of areas for improvement have been identified from these other inspections and actions have been included in our overarching Improvement Plan, managed and tested via the Business Improvement Unit.

During 2016/17 the Chief Constable received assurances with regard to the Constabulary's arrangements for risk management, internal control and governance from a number of sources which included:

- The CFOs annual review of internal audit.
- The Head of Internal Audit and Commissioner's CFO assessment of the internal audit service against Public Sector Internal Audit Standards.
- The Head of Internal Audit's opinion on the framework of governance, risk management and internal control.
- Monitoring of the implementation of actions in response to HMIC, internal and external audit recommendations through the Joint Audit and Standards Committee.

- Management assurances in respect of financial systems and processes.
- The CFO's fraud risk assessment.

All of the sources above indicated that systems and processes are operating effectively and have raised no significant concerns.

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