

Richard Rhodes

Police and Crime Commissioner for Cumbria

Carleton Hall

Penrith CA10 2AU



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Our reference: DC

Date: 12 September 2014

AGENDA

TO: THE MEMBERS OF THE JOINT AUDIT AND STANDARDS COMMITTEE

CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT AND STANDARDS COMMITTEE AND THE POLICE & CRIME COMMISSIONER'S EXECUTIVE BOARD

A joint meeting of the Joint Audit & Standards Committee and the Police and Crime Commissioner's Executive Board will take place on **Monday 22nd September 2014** at **Penrith Rugby Club**, Penrith, at **10.15 am**.

S Edwards
Chief Executive

Please note – there will be a private external audit meeting between the members and Grant Thornton 09.30am to 10.00am

COMMITTEE MEMBERSHIP

Mr Patrick Everingham (Chair)
Mrs Fiona Daley
Mr Andy Hampshire
Mr Jack Jones

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

To receive and approve the minutes of the committee meeting held on 23 June 2014 (copy enclosed)

5. AUDIT FINDINGS REPORT

To receive from Grant Thornton the Audit Findings Report 2013/14 – (*Committee to consider*)

6. ANNUAL STATEMENT OF THE ACCOUNTS – POLICE AND CRIME COMMISSIONER

To receive reports from the Chief Finance Officer (*To be presented by the Commissioner's Chief Finance Officer*)

- (i) Report of the Chief Finance Officer: Assurance Framework
- (ii) Annual Statement of Accounts

7. ANNUAL STATEMENT OF THE ACCOUNTS – CHIEF CONSTABLE

To receive reports from the Chief Finance Officer (*To be presented by the Chief Constable's Chief Finance Officer*)

- (i) Report of the Chief Finance Officer: Assurance Framework
- (ii) Annual Statement of Accounts

8. 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 (copy enclosed) – *To be presented by the Chief Constable's Chief Finance Officer*

9. INTERNAL AUDIT – PROGRESS REPORT

To receive a report from the Management Audit Unit regarding the progress of the Internal Audit Plan (copy enclosed) – *To be presented by Ms E Toyne*

10. INTERNAL AUDIT REPORTS

To receive reports from the Management Audit Unit regarding audits undertaken (copy enclosed)

- i. Project Management Arrangements for the new Barrow Police Station

The following Internal Audit reports have also been completed within the last quarter and have been reviewed by the Committee members. Copies of these audit reports will be available to view on the OPCC website.

- i. Police Absence Management

11. TREASURY MANAGEMENT ACTIVITIES 2014-15 – APRIL TO JUNE 2014

To receive a report on treasury management activities for April to June 2014 (copy enclosed) – *To be presented by the Deputy Chief Finance Officer*

12. FUTURE MEETING REQUIREMENTS

To receive a report on the proposed new schedule of meetings for 2015/16 (copy enclosed) – *To be presented by the Commissioner's Chief Finance Officer*

13. OPCC STRATEGIC RISK REGISTER

To receive the OPCC Strategic Risk Register (copy enclosed) – *To be presented by the Governance and Business Services Manager*

14. CONSTABULARY RISK MANAGEMENT UPDATE

To receive a report from the Constabulary on their management of risk, including an updated Strategic Risk Register (copy to follow) – *To be presented by the Deputy Chief Constable*

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

Minutes of a Meeting of the Joint Audit & Standards Committee held on
Monday 23rd June 2014 in Conference Room 2, Police Headquarters,
Carleton Hall, Penrith, at 10.30 am

PRESENT

Mr Patrick Everingham (Chair)
Mrs Fiona Daley
Mr Andy Hampshire
Mr Jack Jones

Also present:

Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Emma Toyne)
Chief Internal Auditor, Management Audit Unit, Cumbria County Council (Niki Riley)
Engagement Lead, Grant Thornton (Fiona Blatcher)
Assistant Chief Constable (Michelle Skeer)
Constabulary Chief Finance Officer (Roger Marshall)
Commissioner Chief Finance Officer (Ruth Hunter)
Deputy Chief Finance Officer (Michelle Bellis)
Budget & Finance Assistant (Dawn Cowperthwaite)

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC**93. APOLOGIES FOR ABSENCE**

No apologies for absence were received as all members were present.

94. DISCLOSURE OF PERSONAL INTERESTS

Andy Hampshire declared a personal, but not prejudicial interest in Agenda Item No 12, as he sits on the decision panel for both the Community and Innovation Funds.

Fiona Daley declared a personal, but not prejudicial interest in Agenda Item No 6, as she has been offered a contract by the Local Government Association (LGA) to help set up a Limited Company to take on the residual role of the Audit Commission when it closes in April 2015.

95. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC

There are no items of urgent business to be considered by the Committee.

RESOLVED, that under section 100A(4) of the Local Government Act 1972, (as amended), the press and public be excluded from the meeting during consideration of the following items on the grounds that they involve the likely disclosure of exempt information as defined in the paragraph indicated in Part 1 of Schedule 12A of the Act-

Item No	Item	Paragraph No
17	Risk Management Update – Constabulary	7

96. MINUTES OF MEETING

The minutes of the meeting held on 31st March 2014 had been circulated with the agenda.

RESOLVED, that, the minutes of the meeting held on 31st March 2014 be approved,

97. ARRANGEMENTS FOR GOVERNANCE 2013 – 14

The chair suggested that the committee deal firstly with the Commissioners governance documents then the Constabulary's, giving feedback separately to both suites of papers, this was agreed by all members.

Governance papers for the Commissioner

The Commissioner's Chief Finance Officer took members through the reports providing an overview of the governance arrangements for 2013-14. Members were asked to provide feedback on the series of papers regarding the content and presentation of the documents.

The Commissioner's Chief Finance Officer advised that the 'Effectiveness of Arrangements for Audit' and the 'Annual Report of the Joint Audit and Standards Committee' were the start of a suite of documents that set out a high level review of how the governance documents were pulled together and gives an overall conclusion on the arrangements for governance.

A member commented that there were several actions still ongoing, notably the development of an Internal Audit Manual and asked if the committee would receive further updates on these actions throughout the course of the year. The Chief Internal Auditor confirmed that their plan was to come back to this in September.

The chair mentioned the highlighted section in paragraph 2.8 and asked if the wording from the Grant Thornton report was still pending. The Commissioner's Chief Finance Officer confirmed that the complete wording had been received and would be added to the document.

Another member cited that the Joint Audit and Standards Committee Annual report identified that the committee were doing a reasonable job but they were concerned that there were still areas they didn't know a sufficient amount about. In a couple of the conclusions the term 'fully compliant' was used and the member felt that it would be more accurate for these items to be amended to 'compliant' to more accurately reflect the facts. The chair agreed. The Commissioners Chief Finance Officer advised that the requested changes would be made.

The Commissioner's Chief Finance Officer advised that the remaining documents within the Commissioners suite of governance documents provided an overview of how the governance arrangements were approached and asked for any recommendations and comments on the papers. The CFO added that the previous year the committee had discussed the differences in the information set out in the Annual Governance Statement and the Code of Corporate Governance in order to determine what should be in each document. This year the approach taken had incorporated the outcome of that discussion resulting in a more detailed framework document for the Code with the Governance Statement focusing on work undertaken during the year in compliance with the Code. This has resulted in less duplication and a clearer relationship between the Code and the AGS.

A member commented that these were difficult documents to produce and that the difference in approach to their creation was clear from the previous year although the Annual Governance Statement was still a larger document than would be normal. The Commissioner's Chief Finance Officer confirmed that during the course of producing the document staff within the OPCC were given the opportunity to feedback on certain areas which had improved the quality of the document but meant that it was still quite significant in terms of size.

The chair asked if the Internal Auditors had any comments on the papers. The Internal Audit Manager highlighted that their report confirmed that the Commissioner's Annual Governance Statement was accurate and had been prepared in line with the correct processes

A member commented that the documents were very good but that they were confused by the schematic in the Corporate Code of Governance and suggested that it would be worth looking at the documents produced by other OPCC's for comparison. The Commissioner's Chief Finance Officer agreed with this suggestion but due to time restraints recently this had not been feasible this year but that it would be a useful activity over the next 12 months, especially in relation the Annual Governance Statements and Audit and Standards Committee reports.

A member highlighted Appendix A of the Annual Governance Statement and asked for confirmation on what if any assurance the committee would be expected to provide with regards to the Charitable Trust which was to be established. The Commissioner's Chief Finance Officer advised the although the Charitable Trust had been announced publically they were unsure as to how far along the project was and suggested that the Chief Executive may be able to provide further information.

The chair assured that they were very respectful of the work being done and noted their approval of the quality of the documents. They also stated that the papers concerning the arrangements for governance as presented to the JASC on 23rd June had been fully reviewed by

members. The documents were comprehensive, well written and covered those arrangements as presented in the discussions of item 5 of the Committee's Agenda. Assurance was given to the Commissioner that these arrangements for Governance were adequate and effective, being compliant with the relevant standards and codes.

The Commissioner should note that the JASC has recommended to the Constabulary that the production of their arrangements for the Risk Management and the Strategic Risks Register should have greater openness and transparency.

Governance papers for the Constabulary

The Chief Constables Chief Finance Officer advised that the Constabulary's documents were largely a mirror image of those of the Commissioner and that although there were cross overs there were significant differences reflected between the two organisations.

A member commented that the documents were very thorough and that they were pleased to see that progress had been made on the action points from the previous year. Another member commented that they found page 21 of the Constabulary's Annual Governance Statement to be confusing and suggested that it would benefit from being looked at again. The Chief Constable's Chief Finance Officer agreed that they would take a further look at the document.

A member advised that they had concerns around there being a lack of transparency in the Risk Management reports and believed that there were changes that could be made to make the documents more transparent both internally and externally. The Chief Constable's Chief Finance Officer confirmed that the Assistant Chief Constable was going to be looking into these issues.

Another member asked if the committee could receive an update report in December on the Development and Improvement plan included in the Annual Governance Statement. It was confirmed that this would be provided.

The chair stated that the papers concerning the arrangements for governance as presented to the JASC on 23rd June had been fully reviewed by members. The documents were comprehensive, well written and cover those arrangements as presented in the discussions of item 5 of the Committee's Agenda. Assurance was given to the Commissioner that these arrangements for Governance were adequate and effective being compliant with the relevant standards and codes.

The Chief Constable should note that the JASC has recommended to the Constabulary that the production of their arrangements for the Risk Management and the Strategic Risks Register should have greater openness and transparency.

- RESOLVED,**
- (i) that, the report be noted; and
 - (ii) the comments made by the committee be passed on to the Commissioner and the Chief Constable

Due to the Assistant Chief Constable having to leave the meeting early, the members agreed that items requiring their feedback be brought forward to this point in the meeting.

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

The Chief Constable's Chief Finance Officer advised that they were now starting to see the results of the wider scope of the audit plan. Most of the financial based recommendations had been completed, the only outstanding one being on Oracle data security. Work had been progressing on this recommendation and the Finance department were liaising closely with ICT. There was a plan in place to be enacted from the end of June, in particular to deal with issues around the system administration role and the changing of bank accounts on the system. Further work was planned around suppliers from September.

A review of procurement procedures were in place largely as a result of the findings from the South Wales investigation and will be implemented from 1st July 2014.

The Assistant Chief Constable gave the committee an update on several of the ongoing recommendations.

- Seized/held property – New operating procedures were now in place for dealing with seized/held property and a policy had just been signed off. The long-term goal would be to implement an electronic tracking system for all property although this would not be in the immediate future. The key priority was to move the emphasis away from keeping property long term to moving it along as soon as possible.
- Data Quality – Anti-social behaviour – Work is still ongoing with this recommendation as improvements had been made to improve accuracy of reporting but they are still not up to acceptable levels. The emphasis is now on getting it right first time.

The chair commented that he had concerns that at the last meeting there had been eight ongoing actions and there were now 21. The Chief Constable's Chief Finance Officer advised that they were not unduly concerned about this as there has recently been a change to the audit process and that many of the recommendations were inter-related. The Commissioner's Chief Finance Officer commented that they saw this as a measure that internal audit process was good as they were now auditing areas that had never traditionally been audited. As the breadth of the audit widens it would be expected to see more recommendations made.

RESOLVED, that, the report be noted

99. INTERNAL AUDIT REPORTS

In the last quarter four internal audits have been completed. The committee had received copies of each of these and asked that only 'Data Quality: Victim Satisfaction – Crime' be

brought to the meeting for further discussion. The other reports are listed below and will be viewable on the OPCC website.

- I. Debtors Income and Banking
- II. Budget Management and the Main Accounting System
- III. Police Creditors and Petty Cash

The Assistant Chief Constable gave an update on the recommendations made in the Data Quality audit report.

- I. Recommendation 1 - following the procurement review this recommendation would be implemented as part of the process changes identified.
- II. Recommendation 2 – this recommendation has only been partially agreed by management. It was not felt that it was a worthwhile exercise to contact victims again (after they had already spoken to officers and been contacted by SMSR) to quality check the work done by Social and Market Strategic Research SMSR.

A member noted that there was no signed contract with suppliers regarding the data received from SMSR and asked if this was a concern. The Chief Constable's Chief Finance Officer confirmed that as a result of the implementation of new procedures following the procurement review this was not a situation that should occur again providing officers were operating within the procedures. The Commissioner's Chief Finance Officer added that procurement might be a good area for audit review in the future given the changes to the regulations.

The chair commented that they felt there were issues around the acceptance of specific recommendations by managers whilst another member voiced concerns that recommendations were not being fully actioned. A discussion ensued around what would happen in instances where management would not agree a recommendation. The Chief Internal Auditor agreed to draft a protocol setting out what would happen. The Commissioner's CFO advised that this may need to include the role of the Commissioner in circumstances where there may be a significant risk in respect of assurance given the Commissioner's responsibility to hold the Chief Constable to account

RESOLVED, that, the report be noted
That a protocol is developed setting out the approach in respect of a failure to agree significant recommendations.

As there were no members of the press or public present and to enable the Assistant Chief Constable to attend a meeting, the Committee agreed to take agenda item 17 at this point in the meeting.

PART 2 – ITEMS CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC

100. CONSTABULARY RISK MANAGEMENT UPDATE

The Assistant Chief Constable summarised the changes to the Constabulary's strategic risk register and advised that the strategic register went to the Chief Officer Group (COG) on a regular basis for review of all strategic risks.

A member commented that after reading the document they had concerns as to how well objectives were understood throughout the force and asked what was being done to improve this. The Assistant Chief Constable felt that information may not be getting disseminated through the force as well as it could. The member suggested that if the strategic risk register was re-graded as a Part 1 item this problem could be eased. The Assistant Chief Constable confirmed that the better dissemination of information would be looked into and re-iterated that the issues around the risk register being a Part 2 item would be discussed at a COG meeting.

Following further discussions the chair suggested that if the strategic risk register were to be re-worded it should be able to become a Part 1 item. The Assistant Chief Constable agreed that they would bring this up in COG for discussion.

RESOLVED, that, the

- (i) report be noted; and
- (ii) Chief Officer Group discuss the committee's recommendation to have the strategic risk register considered in the open part of the committee meeting.

(Note: There was a break in the meeting from 11.45am to 11.50 am. Assistant Chief Constable Skeer left the meeting at this point.

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

101. GRANT THORNTON FEES 2014-15

The Engagement Lead presented the audit fees and payment schedule letters for both the Commissioner and the Constabulary. A key point noted was that the fees for 2014-15 were the same as for the previous year, a figure set by the Audit Commission. They also confirmed that the audit team in the current year would be the same as last year.

A member asked that as the cost was the same as the previous year, did this mean that there would be a reduced level of service. The Engagement Lead confirmed that the service would remain the same but that the Audit Commission would take a smaller percentage of the charge.

At this point Fiona Daley raised that she potentially had a conflict with this agenda item as she had been offered a contract with the Local Government Association (LGA) to set up a Limited Company to take over the residual work of the Audit Commission when it closed in April 2015. The chair confirmed that having discussed this previously with Fiona, they were happy that there was no prejudicial conflict.

RESOLVED, that, the report be noted

102. INTERNAL AUDIT CHARTER

The Audit Manager advised the committee that this document dealt with the performance measures that the committee had felt were missing from the original Audit Charter which had been presented to the March meeting.

A member commented on the 'Recommendations agreed' KPI (Key Performance Indicator) and stated that it seemed to be a perverse incentive that might encourage auditors to make weak recommendations in order to ensure having them agreed by management. The Chief Internal Auditor agreed that individual auditors may be tempted to give simple recommendations but felt that they had rigorous enough monitoring in place to ensure that this didn't happen and that they felt this was a useful measure as a management tool. Another member agreed that this sounded reasonable so long as it was monitored over a period of time. It was also suggested that the heading 'Target' be changed to 'Benchmarking', the Chief Internal Auditor felt that this was a very good suggestion.

A member asked if Internal Audit made use of post audit questionnaires. The Chief Internal Auditor advised that currently this was not the case but that work was currently being undertaken to devise a customer satisfaction questionnaire.

RESOLVED, that, the report be noted, with the above suggested amendments

103. INTERNAL AUDIT – PROGRESS REPORT

The Audit Manager presented a progress report which summarised the outcomes of the work of internal audit for 2013/14. They were satisfied that enough audit work had been completed to provide their opinion. The key points of the report are given below:

- A total of 17 audits have been carried out
- Overall levels of assurance are considered to be reasonable with 82% of audit reviews concluding at least a reasonable level of assurance
- Several service development projects have been undertaken during the year to implement the improvements identified through internal and external consultation

RESOLVED, that, the reports were considered and reviewed.

(Note: The Chief Executive and the Governance and Business Services Manager joined the meeting at this point.)

104. TREASURY MANAGEMENT ACTIVITIES 2013-14 – JANUARY TO MARCH 2014

The Deputy Chief Finance Officer presented to members the Treasury Management Activities for January to March 2014, along with the Annual Report which gave an overall summary for the year. They highlighted that the security of investments was of paramount importance.

The total interest earned from investments in the period January to March 2014 was £40k, bringing the total for 2013/14 to £148k, which was £5k more than had been estimated. The Deputy Chief Finance officer also highlighted Appendix 5, a scatter diagram showing how the OPCC benchmarked against other organisation with relation to average rates of investments. This had previously been requested by the committee.

RESOLVED, that, the reports were considered and reviewed

105. GRANT REGULATIONS

The Commissioner's Chief Finance Officer advised the committee that the grant regulations document had been formulated as the Commissioner now issued an extended range of grants to help meet the objectives of the Police and Crime Plan; it was felt that there was a benefit to having clear governance arrangements specifically for the issue of grants. In addition the committee were advised that legal advice had been sought during the preparation of this document and the guidance was currently in use with a delegation to the Chief Executive in place to make any required amendments.

The committee asked for a précis of what type of grants and for what amounts the Commissioner was dealing with. The Commissioner's Chief Finance Officer gave a brief description of the grants available with their amounts and expected uses.

A member suggested that it may be useful to draw attention to whistleblowing practices within the document whilst another member commented that they thought that both internal and external auditors may be in a better position to advise as they will come across these issues more frequently. They also asked if the OPCC had capacity to monitor the grant schemes. The Commissioner's Chief Finance Officer advised that the new staff structure of the OPCC placed the responsibility of monitoring grants on the Head of Partnerships and Commissioning, a post which was currently being recruited to.

A member cited the Innovation and Community Funds and suggested that there was a potential reputation risk in relation to the grant payments as organisations that were awarded funds may not end up using the money for the purpose they had originally applied for. The Commissioner's Chief Finance Officer advised that these issues had been considered at the start and that although there would remain the potential for abuse of the system they believed

that the application process mitigated a lot of this. Also, the application process made it clear from the outset that payment of only 80% of the awarded grant would be made up front in the case of the Community Fund, as the organisations would have to cover the additional 20% cost themselves until they had submitted monitoring updates. This would go some way to ensuring that funding was committed on the basis of the application.

RESOLVED, that, the reports were considered and reviewed

106. OPCC ANTI-FRAUD AND CORRUPTION ACTIVITY MONITORING

The Chief Executive presented to the committee the OPCC Anti-Fraud and Corruption Activity Monitoring report which had been produced to give assurance to the committee on the OPCC's monitoring of fraud and corruption activity.

A member commented that the overall picture was good but that they would like to see statistics in the report next year, such as the number of whistleblowing incidents. Another member felt that the sections on expenses and register of interests should contain reference to the committee as they also submit claims and complete registers. The Chief Executive agreed that this information would be added to future reports.

RESOLVED, that, the contents of the report be noted.

107. MONITORING AND EFFECTIVENESS OF THE PCC/OFFICER PROTOCOL AND CODE OF CONDUCT

The Chief Executive presented the Monitoring and Effectiveness of the PCC/Officer Protocol and Code of Conduct report to the committee. This report focused on the ethics and culture of the PCC and his office. The report provided assurance to the committee of the Chief Executive's monitoring of the PCC/Officer Protocol and Code of Conduct.

RESOLVED, that, the reports were considered and noted

108. OPCC RISK MANAGEMENT MONITORING

The Governance and Business Services Manager introduced the Risk Management Monitoring Report and reminded that this was the first annual report. The OPCC have a Risk Management Strategy in place with both strategic and operational risk registers. The committee were advised that all staff were to receive training on risk management in a bid to aid understanding and responsibilities.

The strategic risk register was presented to the committee on a quarterly basis and prior to this all risks were reviewed and actively monitored. The members were advised that the OPCC were currently involved with a SARC (Sexual Assault Referral Centre) project and that a



member of staff had been seconded to the project. There was also a new member of staff that had been taken on as a victim's advocate. As a result of these new posts work was ongoing to identify the potential risks associated with both posts and these will be added to the risk registers as they were identified.

A member highlighted that the report referred to the Commissioner having sight of the Constabulary's risk register, this was now not the case and as it will only be going to the JASC who will then be able to provide feedback to both the Chief Constable and the Commissioner.

RESOLVED, that, the reports were considered and noted.

109. OPCC STRATEGIC RISK REGISTER

The Governance and Business Services Manager guided members through the OPCC strategic risk register highlighting a couple of small changes that had been made to the register, these were:

- A section on all decision forms that highlight any HR/Diversity issues
- A quarterly meeting between the Commissioner and the Constabulary's lead for diversity when any issues can be raised and discussed
- An annual report has been presented to the committee on risk management
- A risk workshop is to be held for all OPCC staff during the summer to ensure their knowledge and understanding is up to date

RESOLVED, that, the report was considered and noted

Meeting ended at 1.20pm

Signed: _____

Date: _____

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

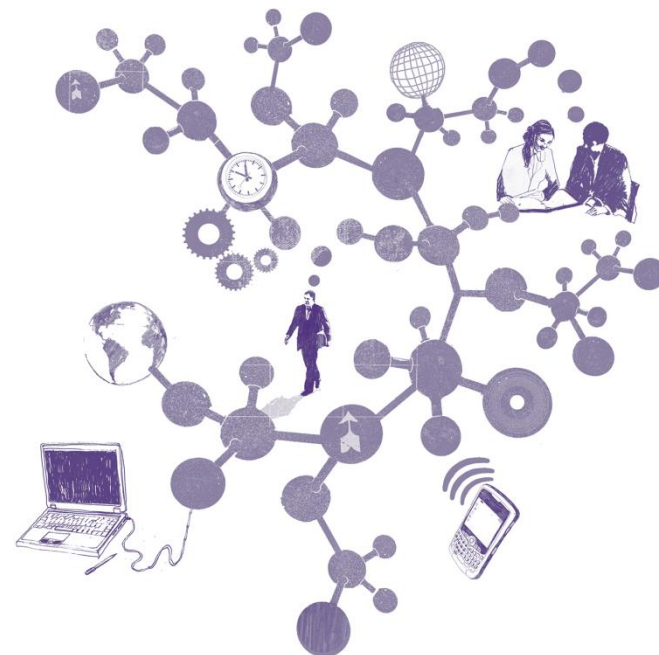
Year ended 31 March 2014

3 September 2014

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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. 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.

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Appendices

- A Audit of the PCC – draft audit opinion
- B Audit of the Chief Constable – draft audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We anticipate providing an unqualified opinion on the financial statements, and an unqualified value for money conclusion.

Executive summary

Purpose of this report

As the external auditor appointed to both the PCC and the Chief Constable for Cumbria we are required by the Audit Commission's Code of Audit Practice to report our audit findings to the PCC and the Chief Constable as the individuals charged with governance for the office of the PCC and Chief Constable respectively. This report (our Audit Findings Report) highlights the key findings and recommendations from our audits of the PCC and the Chief Constable for the year ended 31 March 2014 in one place. 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 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the PCC's and Chief Constable's financial statements for the year ended 31 March 2014 present a true and fair view of the financial position, their expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We issue separate audit opinions on the financial statements of the PCC and the Chief Constable.

We also required to report whether the PCC and Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2014, referred to as the Value for Money conclusion. We issue separate conclusions for the PCC and the Chief Constable based on our assessment of the arrangements each has established.

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 31 March 2014.

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

- final audit completion and review processes
- review of the final version of the financial statements
- review of PFI asset arrangements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

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

Executive summary

Key messages – audit of the Police and Crime Commissioner

Financial statements opinion

We expect to issue an unqualified opinion on the PCC's financial statements, including the group accounting statements which consolidate the financial activities of the Chief Constable, by 30 September 2014.

The finance team have made significant presentational changes to the financial statements in 2013/14 with a view to decluttering supporting notes and improving the readability of the accounts. In our view these have worked well in providing a clearer and easier to read set of accounts. Working papers remain of a good standard, and responses to audit queries have been prompt and satisfactory.

Our audit identified several minor adjustments to the PCC's financial statements which management has agreed to make. The majority of amendments related to required updates to IAS19 presentation and associated accounting terminology which also affected the Prior Period Adjustment disclosure note. In addition amendments to disclosures around the PFI arrangement have been agreed to clearly state the judgements which have been made in preparing the accounts in respect to this arrangement and more correctly state the full liabilities recognised over the life of the arrangement. No amendments that alter reported financial performance were required.

We have included further details of our financial statements audit findings, including details of the adjustments referred to above, in section 2 of this report.

Value for money conclusion

We are pleased to report that, based on our review of the PCC's arrangements to secure economy, efficiency and effectiveness in their use of resources, we expect to give an unqualified value for money conclusion.

The PCC continues to show strong financial resilience and good financial planning and management. Revenue reserves remain high and the medium term financial plan (MTFP), includes plans for future investment to enable the PCC and CC to achieve efficiencies whilst also responding to the police and crime needs of Cumbria. Priorities are based on a clear understanding of the local community needs and investment is being targeted into key areas, such as domestic violence. The PCC and CC have worked effectively together in responding to the report received in 2013 following allegations about the former Temporary Chief Constable and have made appropriate changes to improve their systems and processes.

We have set out further details of the findings and recommendations from the work supporting our Value for money conclusion in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Executive summary

Key messages – audit of the Chief Constable

Financial statements opinion

We expect to issue an unqualified opinion on the Chief Constable's financial statements, including the police officer pension fund accounting statements, by 30 September 2014.

As is the case with the PCC Group and Single entity accounts, the financial statements of the Chief Constable have undergone commendable presentational changes in 2013/14 to declutter supporting notes and improving the readability of the accounts. Working papers remain of a good standard, and responses to audit queries have been prompt and satisfactory.

No significant issues were identified and no amendments that alter the reported financial performance. Many of the amendments which were required to be made in the PCC group accounts also related to the Chief Constable accounts. The majority of amendments related to required updates to IAS19 presentation and associated accounting terminology which also affected the Prior Period Adjustment disclosure note.

We have included further details of our financial statements audit findings, including details of the adjustments referred to above, in section 2 of this report.

Value for money conclusion

We are pleased to report that, based on our review of the PCC's arrangements to secure economy, efficiency and effectiveness in their use of resources, we expect to give an unqualified value for money conclusion.

The CC is working closely with the PCC to ensure that its finances are effectively managed and has a good track record of delivering savings plans. Its new workforce strategy is designed to help it to meet its operational objectives whilst meeting challenging financial targets. Despite recent increases in crime, overall crime levels remain relatively low. The CC is targeting key areas identified as priorities for improvement including improving the consistency of service provided to victims of domestic abuse.

We have set out further details of the findings and recommendations from the work supporting our Value for money conclusion in section 3 of this report.

Controls

The PCC and the Chief Constable are responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control. Management has operated a common set of financial systems and controls to produce both sets of financial statements for 2013/14. Our work on material financial systems used to prepare the financial statements has therefore supported our audits of both the PCC and the Chief Constable. Our audit is however 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 to the Chief Constable.

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

We have provided further details of our findings in relation to internal controls in section 2 of this report.

The way forward

The findings and recommendations contained in this report have been discussed and agreed with the Chief Finance Officer and Deputy Chief Executive for the PCC and the Chief Finance Officer for the Chief Constable.

Acknowledgment

We would like to thank finance staff and other officers in both the office of the PCC and the Chief Constable for their assistance over the course of this year's audits.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We have not identified any adjustments affecting the Police and Crime Commissioner's or the Chief Constable's financial position and we are expecting to issue an unqualified opinion on the financial statements.

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audits and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Joint Audit and Standards Committee on 31 March 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Audit opinion

We expect to issue an unqualified opinion on both the PCC's financial statements, including the group accounting statements which consolidate the financial activities of the Chief Constable; and the Chief Constable's financial statements, including the police officer pension fund accounting statements, by 30 September 2014.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to 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 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the 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/CC/Both	Work completed	Assurance gained and issues arising
1.	Improper revenue recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	Both	Both PCC and Chief Constable audits <ul style="list-style-type: none"> review and testing of revenue recognition policies testing of material revenue streams review of unusual significant transactions 	PCC audit Our audit work has not identified any issues in respect of revenue recognition. Chief Constable audit Our audit work has not identified any issues in respect of revenue recognition.
2.	Management override of controls Under ISA 240 there is a presumed risk of management override of controls	Both	Both PCC and Chief Constable audits <ul style="list-style-type: none"> review of accounting estimates, judgements and decisions made by management testing of journals entries review of unusual significant transactions 	PCC audit Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments. Chief Constable audit Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.



Transaction cycle	Relevant to: PCC/CC/Both	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Both	Creditors understated or not recorded in the correct period	PCC and Chief Constable audits We have undertaken the following work in relation to this risk: <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 are designed effectively Sample testing of year end creditor balances. Review for unrecorded liabilities. Cut-off testing of the expenditure stream. Review of year end reconciliations 	PCC audit Our audit work has not identified any significant issues in relation to the risk identified. Chief Constable audit Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Both	Employee remuneration accrual understated	PCC and Chief Constable audits We have undertaken the following work in relation to this risk: <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 are designed effectively Reviewed of year end reconciliations Reviewed for unrecorded liabilities 	PCC audit Our audit work has not identified any significant issues in relation to the risk identified. Chief Constable audit Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks continued

Transaction cycle	Relevant to: PCC/CC/Both	Description of risk	Work completed	Assurance gained & issues arising
Property Plant and Equipment	PCC	Revaluation measurement not correct	PCC audit We have undertaken the following work in relation to this risk: <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 are designed effectively • Sample tested revaluations • Considered revaluation treatment against the requirements of the Code 	PCC audit The PCC operates a five year rolling programme of asset valuation, designed to cover all asset held by the PCC over this period. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property. This is explained further on page 16. Assurance has been gained that the values at 31/3/14 are materially correct.
Pensions Benefits Payable	Both	Benefits improperly computed / Claims liability understated	PCC and Chief Constable audits We have undertaken the following work in relation to this risk: <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 are designed effectively • Sample tested the accuracy and validity of new pensions in payment (including lump sum values). • Compared the movements on membership statistics to material transactions in the accounting records. • Review of movements in pensions figures for unusual trends 	PCC audit Our audit work has not identified any significant issues in relation to the risk identified. Chief Constable audit Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & 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 the Chief Constable's financial statements.

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
Revenue recognition	Both	PCC <ul style="list-style-type: none"> The PCC has adopted the standard revenue recognition policies as set out in the Code of Practice. Chief Constable <ul style="list-style-type: none"> The Chief Constable receives no income directly but is funded by a contribution from the PCC. 	PCC audit <ul style="list-style-type: none"> The PCC's policies are in accordance with the requirements of the Code of Practice for Local Government. Chief Constable audit <ul style="list-style-type: none"> The CC's policy reflects the actual and expected revenue recognition arrangements in place. 	 Green
Cost recognition	Both	PCC <ul style="list-style-type: none"> The PCC has adopted the standard cost recognition policies for Local Government as set out in the Code of Practice. The policies for cost recognition are set out in accounting policy 2. Chief Constable <ul style="list-style-type: none"> The policies for cost recognition are set out in accounting policy 2. 	PCC audit <ul style="list-style-type: none"> The PCC's policies are in accordance with the requirements of the Code of Practice for Local Government. Chief Constable audit <ul style="list-style-type: none"> The CC's policies are in accordance with the requirements of the Code of Practice for Local Government. 	 Green



Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements


Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
Judgements and estimates	Both	<p>PCC</p> <p>Key judgements and estimates are set out in notes 1 and 3 respectively and include:</p> <ul style="list-style-type: none"> • PPE valuations • Treatment of assets and liabilities under PFI contracts • provisions • Pensions liability. <p>Chief Constable</p> <p>Key judgements and estimates are set out in notes 1 and 3 respectively and include the estimation of provisions and the pension liability.</p>	<p>PCC audit</p> <p>We have reviewed the PCC judgements and estimates against the requirements of the Code of Practice on Local Authority Accounting.</p> <ul style="list-style-type: none"> • Where the PCC has made judgements or estimates in the financial statements these have been supported with robust methodologies and clear explanation of the assumptions applied. • We have recommended additional disclosures around the key judgements made in respect of the PFI scheme (see page 18 for further detail). <p>Chief Constable audit</p> <p>Pension liability calculations have been reviewed and agreed to supporting evidence. No issues have been noted.</p>	 Green
Other accounting policies	Both	<p>PCC and Chief Constable</p> <p>We have reviewed the Police and Crime Commissioner's and the Chief Constable's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>PCC audit</p> <p>Our review of accounting policies has not highlighted any significant issues.</p> <p>Chief Constable audit</p> <p>Our review of accounting policies 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
- Accounting policy appropriate and disclosures sufficient

- Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
Judgements and estimates - PPE	PCC	<p>PCC</p> <ul style="list-style-type: none"> Note 6 to the accounts sets out the authority's rolling programme of revaluations. This shows that the date of valuations vary between 31 March 2010 and 31 March 2014. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that: <ul style="list-style-type: none"> the revaluation of the class of assets is completed within a 'short period' the revaluations are kept up to date. 	<p>PCC audit</p> <ul style="list-style-type: none"> This approach is similar to many other authorities and we are satisfied that the carrying value of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014. The valuer has provided relevant assurances in this respect. These are supported by the application of national indices relating to property value movements in recent years. The PCC may wish to consider an alternative approach to valuations to achieve full compliance with the requirements of the code as currently stated. 	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

Misstatements

Impact of misstatements

We have not identified any misstatements affecting the principal statements within the PCC, CC and Group accounts.

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes to the PCC's and CC's financial statements, including the group consolidation, we identified during the audit and which management have adjusted for.

Adjustment type	Value £'000	Account balance	Impact on the financial statements	PCC	CC	Group
1 Disclosure	2,911	PFI	The PCC's accounts reflect the PFI arrangement for Workington Police station. This arrangement has a number of options at the end of the contract for the asset which does not automatically transfer to the PCC at this stage. There are a variety of ways of accounting for such an arrangement under IAS17. The accounts have been amended to clearly state the judgements which have been made about the likely end scenario and the impact this has on the accounting entries. Additionally the disclosure note dealing with future minimum lease payments has been amended to reflect the assumed final payment to transfer ownership of the asset to the PCC.	√		
2 Disclosure	N/A	Various	<p>Various minor changes were made to supporting notes to improve presentation and ensure consistency, including:</p> <ul style="list-style-type: none"> • Amendments to Accounting Standards issued but not adopted • Clarification to Police Pension Fund membership contribution rates • Some minor additional explanations such as further narrative concerning movement between usable and unusable reserves • Minor amendments to various wording and terminology including accounting policies • An additional disclosure note to support the cash flow statement 	√	√	√

Misclassifications & disclosure changes continued

Adjustment type	Value £'000	Account balance	Impact on the financial statements	PCC	CC	Group
3 Disclosure	N/A	Exit Packages	Note 26 (PCC) and note 16 (CC) Exit Packages disclosure for cost band 0-20k has been amended from 13 to 12 individuals.	√	√	√
4 Disclosure	N/A	Pensions disclosures - various	<p>Various disclosure amendments required in relation to IAS19 changes including:</p> <ul style="list-style-type: none"> Rewriting accounting policy 8.1 to reflect IAS19 changes and applicability to the group accounts, and amending the employee benefits accounting policy accordingly Amending terminology in the Comprehensive Income and Expenditure Account to refer to 'Remeasurement of the net defined benefit liability' Amending Prior Period Adjustment description to take into account that the expected return on assets excluding amounts included in net interest on the net defined benefit liability (asset) is now part of the 'remeasurement of the net defined benefit liability' 	√	√	√
5 Disclosure	N/A	Annual Governance Statement	Minor changes in relation to the Annual Governance Statement with additional disclosures on role of monitoring officer and confirmation of compliance with the CIPFA Guidance on the role of the Chief Finance Officer.	√	√	N/A

Internal controls

The purpose of an audit is to express an opinion on the financial statements. Our audit included consideration of internal controls 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. We have not identified any significant control deficiencies which merit being reported to the PCC and to the Chief Constable via you in accordance with auditing standards.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to the PCC and to the Chief Constable before we conclude our audits.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> • We have previously communicated with the PCC and CC on the risk of fraud • We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> • We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> • A letter of representation has been requested from the PCC and from the CC
4.	Disclosures	<ul style="list-style-type: none"> • Our review found no material omissions in the financial statements
5.	Matters in relation to related parties	<ul style="list-style-type: none"> • We are not aware of any related party transactions which have not been disclosed
6.	Going concern	<ul style="list-style-type: none"> • Our work has not identified any reason to challenge the PCC's and the CC's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We propose to give an unqualified VFM conclusion

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the PCC's and the Chief Constable's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

The PCC and the Chief Constable each has proper arrangements in place for securing financial resilience - the PCC and the Chief Constable each has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables them to continue to operate for the foreseeable future.

The PCC and the Chief Constable each has proper arrangements for challenging how they secure economy, efficiency and effectiveness - the PCC and the Chief Constable are prioritising their resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings - PCC

Securing financial resilience

We have considered the PCC's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted the PCC has appropriate systems and processes in place to manage financial risks effectively. This has helped it secure a stable financial position that enables it to continue to operate for the foreseeable future. The process for producing the 2014/15 budget was well controlled and involved consultation with the public, Chief Constable and the Police and Crime Panel (PCP). The PCC had difficult choices to make in setting a deliverable 2014/15 budget and has also been challenged by the PCP. The financial assumptions in the budget appear reasonable and the required savings achievable.

The Executive Board was established in December 2012 to make the strategic decisions such as the budget. The Executive Board comprises of the Commissioner, Chief Constable, PCC Chief Executive and PCC Chief Financial Officer. The Executive Board considers actual expenditure (revenue and capital) compared to budget and treasury management activities on a quarterly basis. These sets out the current position, a forecasted year end position and the reasons for variances and are used as part of the decision making in terms of main financial risks and any action required.

The PCC has reported an underspend of £0.14 million for 2013/14 for the Commissioner's directly managed revenue budget. However, when the Constabulary underspend is considered the combined group revenue underspend is £3.195 million of which £2.59 million related to lower than planned expenditure on police officers and PCSOs.

The capital budget for 2013/14 was underspent by £5.65 million. Around half of the slippage in the programme has been caused by the timing of the awarding of the contract for the building of the new South Territorial Police Area Headquarters at Barrow (£2.91 million). The payment profile has been revised but completion date for the scheme remains on target. Other slippage relates to ICT

Value for Money

Key findings - PCC

Securing financial resilience continued

schemes (£1.63 million) due to delays in national specifications and development of detailed business cases.

At the 31 March 2014 total available reserves which have been funded from cumulative revenue underspends was £32.81 million which represents over 25% of budget gross revenue expenditure for 2014/15. When the 2014/15 budget was agreed in February 2014 total reserves were estimated as £29.46 million but at outturn were actually £32.81 million, an increase of £3.35 million. There is a clear strategy to use reserves over the term of the MTFP to support the capital programme, to meet the cost of commissioned services and to meet the 'one-off' costs from restructuring the Constabulary.

During 2013/14 South Wales Police completed their investigation into allegations made against the former Temporary Chief Constable. The report included 36 recommendations to improve arrangements and these were included within an action plan challenged and monitored by the Joint Audit and Standards Committee. Many of these actions were implemented and a subsequent Internal Audit report on integrity within the Constabulary confirmed that improved arrangements were in place with only a small number of areas for further improvement.

Challenging economy, efficiency and effectiveness

We have considered the PCC's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity.

Overall our work highlighted that the PCC's priorities are set out in the Police and Crime Plan 2013 to 2017 and progress has been monitored throughout the year with updates to the Police and Crime Panel. The Plan was updated in March 2014 and in the PCC's view confirmed that the priorities in the Plan were the right ones. The PCC has retained certain funding to consider whom this would be best spent with e.g. the Constabulary or voluntary sector. Progress made during the year has included agreeing a county wide CCTV network to be implemented in 2014, funding to support an Independent Domestic Violence Advocacy and Support Service and established a 'Community and Innovation Fund'.

In terms of savings the bulk of this will come from the Constabulary's 'Change Strategy 2013-15'. The PCC receives updates on progress of delivery of the strategy to assure himself that the programme remains on track.

Overall VFM conclusion – PCC

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the PCC has put in place proper arrangements to secure economy, efficiency and effectiveness in his use of resources for the year ending 31 March 2014.

Value for Money

Key findings – Chief Constable

Securing financial resilience

We have considered the Chief Constable's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted the CC has appropriate systems and processes in place to manage financial risks effectively. The MTFS 2014/15 to 2017/18 is linked to the PCC's policing priorities and is underpinned by a workforce plan, estates, ICT and fleet strategies which reflect also the Constabulary's priorities and operational needs. There is also a clear link to the Constabulary's 'Change Strategy 2013-15' which is its strategic approach to delivering spending reductions.

The Constabulary's senior management have a good understanding of the financial position and receive regular budget monitoring reports. The CC Revenue reports focus on subjective analysis e.g. police officers pay, premises, transport, etc and then the reasons for any variances are explained. The Constabulary's revenue budget was underspent by £3.05 million. The main areas of underspending were Police Officer Pay & Allowances (£2.175 million) and PCSOs (£0.42 million) as a result of operating below establishment. Further underspending has related to transport costs (£0.32 million) due to lower fuel costs and actively managing travel cost and general underspending on supplies and services. There is clear evidence of in year re-forecasting particularly on police officer costs i.e. level of underspending.

Within the Constabulary there has been an emphasis on improving workforce planning and a workforce strategy for police officers and PCSOs has been developed covering the period of the (MTFP). The workforce strategy is regularly scrutinised at both strategic and tactical levels.

Challenging economy, efficiency and effectiveness

We have considered the Chief Constable's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity.

Overall our work highlighted the Constabulary's 'Change Strategy 2013-15' has provided a good basis for its strategic approach to delivering spending reductions. Progress is closely monitored throughout the year by the Constabulary to ensure it remains on track with regular updates to the PCC. The focus is long term recurring savings and the PCC has also recognised that some initiatives will need up front funding before savings or improved services delivery are achieved. The Constabulary has used Her Majesty's Inspectorate of Constabulary (HMIC) VFM profiles to identify where it was an outlier in terms of most similar forces and nationally and used this to help to identify potential savings and required actions.

The Constabulary has a good record of delivering savings and efficiencies which has continued in 2013/14. The PCC's MTFP 2014/15 to 2017/18 indicates savings of over £9.1 million will be required between 2015/16 to 2017/18 with savings of £4.5 million still to be identified from the end of 2015/16. HMIC stated in July 2014 "Cumbria Constabulary is achieving the required savings today while planning for the future. The Constabulary has performed well in the first three years of the spending review – achieving savings, protecting the front line and maintaining high levels of satisfaction". Delivering future savings will remain a challenge for the Constabulary.

In overall terms crime rose by 4.8% (1,090 crimes) during 2013/14. This follows a generally decreasing level of crime since 2009/10 and Cumbria has the 2nd lowest number of reported crimes in England and Wales. Violence against the person has increased by 803 (+18%) including increases in domestic

Value for Money

Key findings – Chief Constable

Challenging economy, efficiency and effectiveness (continued)

violence and alcohol related violence. Cumbria has the lowest levels of violence against the person of its most similar forces although above the average per violent crime per 1,000 population. Across all types of crime Cumbria performed well with comparatively low numbers of crimes reported.

HMIC reported in March 2014 that a lot of effective work was being done to tackle domestic abuse in Cumbria but there were several areas for improvement to ensure that a consistently good service is provided to victims of domestic abuse across the whole of Cumbria. The CC is focused on addressing the continuing challenge to protect and maximise visible frontline policing whilst facing the challenge of reducing officer numbers. Arrangements are in place to work together with the PCC to respond to this challenge.

Overall VFM conclusion – Chief Constable

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Chief Constable has put in place proper arrangements to secure economy, efficiency and effectiveness in his use of resources for the year ending 31 March 2014.

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

There are no significant facts or matters that impact on our independence as auditors

Fees, non audit services and independence

We confirm below our final fees charged for the audits and confirm there were no fees for the provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Police and Crime Commissioner audit	40,450	40,450
Chief Constable audit	20,000	20,000
Total audit fees	60,450	60,450

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

Ethical standards and International Standards on Auditing (ISA) 260 require us to give you full and fair disclosure of matters relating to our independence. In this context we disclose the following to you.

We have agreed to provide non-audit services relating to tax advisory services to the PCC. From 2014/15 for three years, the provision of a helpline has been agreed at an annual cost of £2,500 with the option to take up additional consultancy services if desired.

For 2014/15, an additional piece of work has been agreed to assist with the updating of the notice of dispensation for the PCC and CC. The fee for this work is £4,000.

We are satisfied that this work does not impact on our independence and appropriate safeguards are in place to ensure that this continues to be the case.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We have delivered out audit in accordance with planned timescales and the requirements of Auditing Standards.
We expect to give our opinions by the statutory deadlines.

Communication of audit matters to the Police and Crime Commissioner and to the Chief Constable

International Standard on Auditing (ISA) 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.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, 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 the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the PCC's and the Chief Constable's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. 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 Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the PCC and the Chief Constable to ensure that proper arrangements are in place for the conduct of their business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and the 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		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion for the Group and the Police and Crime Commissioner for Cumbria

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

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

Opinion on the financial statements

We have audited the financial statements for the Police and Crime Commissioner for Cumbria for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner Single Entity and Group Movement in Reserves Statement, the Police and Crime Commissioner Single Entity and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner Single Entity and Group Balance Sheet, the Police and Crime Commissioner Single Entity and Group Cash Flow Statement, the related notes and Annex A and include the police pension fund financial statements comprising the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the Police and Crime Commissioner for Cumbria in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

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

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 Single Entity and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the PCC Chief Finance Officer Introduction and Summary of Accounts 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:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Cumbria as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the PCC Chief Finance Officer Introduction and Summary of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Appendix A: Audit opinion for the Group and the Police and Crime Commissioner for Cumbria (continued)

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

Respective responsibilities of the Police and Crime Commissioner and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place 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 arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Police and Crime Commissioner has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for 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 2014. 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 had put in place proper arrangements to secure 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 published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Cumbria put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Cumbria in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Fiona Blatcher
Engagement Lead

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
4 Hardman Square,
Spinningfields,
Manchester
M3 3EB

September 2014

Appendix B: Audit opinion for the Chief Constable for Cumbria Police

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

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF CUMBRIA POLICE

Opinion on the financial statements

We have audited the financial statements of the Chief Constable for Cumbria Police for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the related notes and Annex A and include the police pension fund financial statements comprising the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the Chief Constable for Cumbria Police in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

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

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 Chief Finance Officer and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the CC Chief Finance Officer Introduction and Summary of Accounts 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:

- give a true and fair view of the financial position of the Chief Constable for Cumbria Police as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the CC Chief Finance Officer Introduction and Summary of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Chief Constable to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Chief Constable and the auditor

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

Appendix B: Audit opinion for the Chief Constable for Cumbria Police (continued)

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the **Chief Constable** has put in place 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 arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Chief Constable has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for 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 2014.

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 had put in place proper arrangements to secure 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 published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, the Chief Constable for Cumbria Police put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable for Cumbria Police in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Fiona Blatcher
Engagement Lead

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
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September 2014



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Cumbria Office of the Police and Crime Commissioner

Agenda Item Number - 6i

Annual Statement of Accounts 2013-14: Assurance Framework

Report to the Police and Crime Commissioner and Audit and Standards Committee 22nd September 2014

Report of the Chief Finance Officer

1. Introduction and Background

1.1 This report sets out for the Commissioner, and members of the Audit and Standards Committee, those areas of governance and audit pertaining to scrutiny and formal approval of the 2013-14 Statement of Accounts. This report covers the single entity financial statements of the Police and Crime Commissioner 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 Ms Blatcher, 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 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. It also sets out how the Commissioner has responded to CIPFA's November 2013 publication¹ setting out good practice in respect of the financial statements.

2. Formal Approval of the Audited Statements

2.1 The Statement of Accounts were authorised by the Chief Finance Officer on 25th June 2014 in accordance with the 2011 Accounts and Audit Regulations. The audit having now been completed, the Chief Finance Officer is required to again certify the statements and present them to the Commissioner for formal approval. Prior to certification the Commissioner will take into consideration the Audit Findings Report from Ms Blatcher. The Commissioner will also take into consideration the views of members of the Audit and

¹ The Chartered Institute of Public Finance and Accountancy: financial statements\ a good practice guide for local authorities

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 Ms Blatcher, of Grant Thornton UK LLP, the Commissioner's appointed auditor. Ms Blatcher reports on her completion of the annual audit of the Statements of Account for 2013-14. The Commissioner and members of the Audit and Standards Committee will be pleased to see her intention, based on her findings to date, to issue an unqualified audit opinion in respect of the Statement of Accounts for the year to 31 March 2014 and in respect of the Commissioner's arrangements to secure Value for Money.

3.2 The principal financial statements are the movement in reserves statement (MIRS), the comprehensive income and expenditure statement (CI&ES), the balance sheet and cash flow statement. The auditors have not identified any misstatements in respect of the principle statements within the PCC, CC or group accounts.

3.3 The auditors have considered internal controls that are relevant to the preparation of the financial statements. They have not identified any significant control deficiencies that they wish to bring to the attention of the Commissioner.

3.4 There have been several minor adjustments to financial statements, the majority of which are amendments related to the wording of disclosures in respect of the local government pension fund and amendments to disclosures around the PFI arrangement. Further detail of these amendments are referred to in the Auditor's report. The changes are also highlighted within the copy of the financial statements presented to the Joint Audit and Standards Committee. No amendments that alter reported financial performance were required.

3.5 The appointed auditor has noted one instance where the Commissioner is not fully compliant with the Code of Practice in respect of asset valuations. The wording of The Code has been amended with an implication for annual valuations. The Commissioner operates a five year rolling programme of valuations. The auditors have confirmed that whilst the programme is not compliant with The Code, they are satisfied that the value of assets is materially correct.

3.6 The Commissioner and members of the Committee will also be pleased to note the auditor's positive conclusion in respect of the presentational changes to the financial statements made to de-clutter supporting

notes and improve the readability of the accounts. They note that these changes have worked well in providing a clearer and easier to read set of accounts. The auditor's further conclude that working papers remain of a good standard, and responses to audit queries have been prompt and satisfactory

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 (COPLAA) require adjustment or disclosure. There have been no post balance sheet events following authorisation of the financial statement by the Chief Finance Officer on 25th June and to the issuing of this report.

5 2013-14 Governance Statements

5.1 The Police and Crime Commissioner approved his 2013-14 Annual Governance Statement (AGS) on 24th June 2014. Minor changes to the AGS were made following recommendation from the external auditors. Specifically, the action point (CP1/6), within core principle 6, engaging with local people and other stakeholders to ensure robust public accountability, has been further developed to provide more detail on work that has been delivered and is planned in response to the new CIPFA guidance² on the financial statements. The action plan in respect of the 2013-14 actions has been reformatted to set out completed actions in a column independently from the original action description. There have been changes to wording to explicitly confirm that the Commissioner's CFO has operated in accordance with the 2012 CIPFA guidance on the Role of the Chief Finance Office and to further explain the role of the Monitoring Office. The changes are highlighted for members in the copy of the AGS appended to the financial statements.

6 Letter 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 Chief Finance Officer on behalf of the Commissioner. 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 letter sets 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 letter also confirms that there has been full disclosure of all matters requiring disclosure to our auditors. The Letter of Management

2 The Chartered Institute of Public Finance and Accountancy: financial statements\ a good practice guide for local authorities

Representation is 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 and Lorraine Holme, Principal Financial Services Officer, who have once again secured for the Commissioner another clean audit. This report also acknowledges the work undertaken by our colleagues in external audit headed by Fiona Blatcher and Richard McGahon.

8 Recommendations

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

- Members of the 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
- The Commissioner signs the audited Statement of Accounts and authorises for publication the Accounts and accompanying Governance Statement.

Statement of Accounts Narrative 2013-14

1 Introduction and Background

1.1 The Police and Crime Commissioner will sign the annual statement of accounts following audit and the review process by the Audit and Standards Committee. Members of the 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 and Members of the 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 31st 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 Chief Finance Officer (CFO), the opinion of the Chief Internal Auditor and the opinion of the Appointed Auditor. These opinions are supported by the statements made by the Commissioner's Chief Finance Officer, on behalf of the Commissioner, with the letter of representation and by the Commissioner's Annual Governance Statement, signed by the Commissioner, the Commissioner's Monitoring Officer and the Commissioner's CFO.

2.2.1 The Chief Finance Officer's (CFO) Annual Review of Internal Audit: The CFO will annually provide to members a report on the effectiveness of the arrangements for audit. In presenting this opinion, the CFO will take into account the opinion of the external auditors on the quality of the internal audit function. The CFO will also consider how well the function complies with the Public Sector Audit Standards (PSIAS) introduced with applicability from 1st April 2013. The external auditors advised members of the Audit and Standards Committee and the Commissioner within their annual audit plan, 31st March 2014, 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'. The Commissioner has approved an Internal Audit Charter in compliance with the PSIAS and members of the Committee have received reports from the Head of Internal Audit on the implementation of actions that ensure the full compliance of the audit service with the Charter and Standards. The Chief Finance Officers 2013-14 review included a review of the effectiveness of the audit committee in fulfilling its assurance function. The review concluded that "there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2014." This assurance enables the Commissioner and members of the 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 2014." Commissioner's Chief Finance Officer

2.2.2 The opinion of the Chief Internal Auditor (CIA): The CIA 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. The CIA's opinion for 2013/14 is that "I am satisfied that sufficient internal audit work has been undertaken to allow me to give a reasonable conclusion on the adequacy and effectiveness of risk management, governance and internal control. I can also report that there has been no threat to the independence of internal audit that would impact on the provision of my annual opinion statement. In my

Sources of Assurance

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

11 financial audits undertaken during 2013/14 with 9 receiving the highest audit conclusion 'good', including the audit of the main financial system.

opinion, the PCC and Constabulary's frameworks of governance, risk and internal control is reasonable and audit testing has confirmed that controls are generally working effectively in practice".

The opinion is based on 17 audits. 9 of those have concluded that compliance with controls is 'good', of the remaining reports 5 have been awarded a 'satisfactory' conclusion, 2 received a 'fair' conclusion and 1 has received a 'weak' conclusion. All 9 audit reports receiving a conclusion of Good were in relation to financial audits. These audits have covered the main financial system, payroll, pensions, the capital programme, treasury management, income and banking and budget management. 2 financial audits (debtors and financial administration with the Territorial Policing Areas (TPA's)) received a satisfactory audit conclusion. There were no financial audits receiving a conclusion below the level of satisfactory. Collectively, the findings of financial audits reported to the Audit and Standards Committee and the overall opinion of the Chief Internal Auditor will

provide assurance to members 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.

2.2.3 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 transaction. 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. The annual audit findings report of the Appointed Auditor is made to the Commissioner and Members preceding this item on the agenda and presents the Appointed Auditors intention to issue an "unqualified audit opinion" on the financial statements.

2.2.4 The Letter of Representation: The letter of representation is provided at appendix b and referenced in the main body of this report. The letter provides assurances from the Commissioner to the Appointed Auditor. The letter is written on behalf of the Commissioner by the Chief Finance Officer. That officer, as required under

Sources of Assurance

"We have not identified any adjustments affecting the Police and Crime Commissioner's or the Chief Constable's financial position and we are expecting to issue an unqualified opinion on the financial statements."

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

legislation, must be financially qualified. Within the Office of the Police and Crime Commissioner, that officer is a member of the Chartered Institute of Public Finance and Accountancy 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 Chief Finance Officer in the letter of representation on behalf of the Commissioner. There have been no specific matters raised by the Commissioner in the letter of representation for 2013/14 and all appropriate assurances have been provided to the external auditors.

2.2.5 The Annual Governance Statement: The Annual Governance Statement (AGS) is presented to members in June with a number of supporting governance papers including the Code of Corporate Governance. The Code of Corporate Governance sets out the Commissioners arrangements for Governance including financial governance. The AGS details how the Commissioner has complied with the governance framework set out within the Code. The Statement is signed by the Commissioner and the Commissioner's statutory Monitoring Officer and Chief Finance Officer. The Annual Governance Statement is submitted for examination by the Commissioner's Internal Auditors. Collectively the Code and AGS provide 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.

2.3 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 in reviewing the financial statements.

3 Key Challenges

3.1 The Police Reform and Social Responsibility Act 2011 (PRSRA) established the Police and Crime Commissioner (PCC) and the Chief Constable (CC) as separate corporate entities on the 22nd November 2012. The implications of this change are that there is a requirement for the PCC and the CC to have single entity Statement of Accounts and for a consolidated group Statement of Accounts. To achieve this, consideration needs to be given to whether income and expenditure and assets and liabilities should be disclosed within the single entity statements of the PCC or the CC. On consolidation any inter-entity transactions must be written out of the group statements.

3.2 During 2013/14 all staff were employed by the Commissioner and the Commissioner had ownership and control of all assets. Staff are however managed by the Chief Constable and/or the Commissioner and the Commissioner's assets are used to deliver police services directed by the CC. The Commissioner holds and operates all arrangements for banking and treasury activity, including the raising of orders and payment of invoices. The significant proportion of these transactions are for supplies and services consumed by the Constabulary. Staff under the management of the Chief Constable carry out the financial administrative support. These arrangements mean that the allocation of income and expenditure and assets and liabilities

between the single entity financial statements are complex. This paper sets out the key accounting considerations and the rationale that influences decision making in respect of how these matters are presented within the statements.

Group Accounts: Determining that the relationship between the PCC and CC is one of control such that the CC is a subsidiary and there is a requirement for group accounts.

Determining the relationship between the PCC and CC

Conclusion: *the relationship is one of control such that the CC is considered a subsidiary of the PCC and there is a requirement for group accounts.*

The Code of Practice on Local Authority Accounting defines a subsidiary as an entity that is controlled by another entity. Control is defined in a number of ways, including the power to govern financial and operating policies under statute or an agreement, and the power to appoint or remove the governing body.

With regard to the relationship between the PCC and CC in respect of governing operating policies, the relationship was considered to be more accurately defined as one where the PCC has significant influence rather than control. This is because the PCC influences operational policy by setting the strategic direction for policing through the Police and Crime Plan. It is however difficult to make a case that the relationship is one of control or

joint control over those policies because the CC has operational independence. Control is stronger over finance policy as a result of the PCC's decision making autonomy in respect of the budget, and the controls that operate through a funding agreement between the PCC and CC. In addition and significantly, the PCC has the power to appoint or remove the CC (the governing body). Collectively this was considered to amount to a relationship of control and as such the CC is considered a subsidiary with a requirement for group accounts.

Disclosure of Resources: The extent to which police officers, civilian members of police staff, other police staff and assets should be disclosed with their associated liabilities within the PCC or CC financial statements.

Within the Accounts, expenditure on staffing resources and assets within the Comprehensive Income and Expenditure Statement is matched by respective assets and liabilities on the Balance Sheet. The liabilities include issues such as pension fund deficits (staff) and depreciation (assets) that are accounted for on an IFRS basis and adjusted through the statutory override. In producing the accounts for the single entity statements this means that decisions have to be taken on:

- the balance of control and economic benefit over resources in order to establish where the primary disclosures should be made
- an appropriate means of charging some of the expenditure from the primary disclosure to the other entity to reflect the shared use of some assets and staff resources

Determining whether employee costs and associated liabilities should be disclosed within the PCC or CC single entity statements.

Conclusion: *Police Officer and Civilian Police Staff costs/liabilities are included in the accounts of the CC. The costs/liabilities of Police Staff not employed solely to assist the force (primarily support staff) are included in accounts of the PCC.*

Decision making is primarily underpinned by the respective statutory duties and responsibilities of the PCC and CC as set out in the PRSRA 2011 and the Policing Protocol Order (PPO). This is further supported by the Commissioner's governance arrangements. The significant governance documents are the scheme of delegation and the funding agreement.

Of most significance in regard to the treatment of assets and staffing resources is the issue of control and receipt of economic benefit. The following statutory points are considered to be relevant:

- The Commissioner's functions in relation to policing are to secure the maintenance of the force and ensure that it is efficient and effective. The Commissioner holds the CC to account for his/her functions and the functions of persons under the direction and control of the CC. The Commissioner is also responsible for setting the strategic direction of the force and policing objectives through the Police and Crime Plan.
- The CC has a number of statutory functions, of significance of which is responsibility for maintaining the Queen's peace through the exercise of police powers. Police officers and civilian staff (defined in the PRSRA 2011 as employed solely to assist the force) are directed and controlled by the CC towards policing activity to fulfil these functions. The CC is accountable for supporting the PCC in the delivery of the strategy and objectives set out in the Police and Crime Plan.
- Whilst the Commissioner holds the CC to account in respect of having regard to the Police and Crime Plan, the CC must be consulted by the Commissioner on The Plan. It is the CC who will largely determine how those objectives are delivered and the allocation of resources to meet them. The CC is also responsible for having regard to the Strategic Policing Requirement as set by the Home Secretary when exercising and planning policing functions. Overall resource allocations therefore take account of the statutory function of maintaining the Queen's peace, the priorities within the Police and Crime Plan (set by the Commissioner but in consultation with the CC) and the Strategic Policing Requirement. The CC has direction and control of Police Officers and all operational staff in making those decisions.
- In respect of economic benefit, both the Commissioner and the CC obtains benefit from the staffing and assets under the CC's direction and control. The argument for economic benefit, given that staffing resources can only be in one set of accounts, would appear to be stronger in respect of the Chief Constable given the duty to maintain the Queen's peace. This is further supported by Constables holding office under the crown and the CC being accountable to the law for the exercise of police powers. The CC is also responsible to the public. Further to this, the Police and Crime Plan is now a multi-agency strategy through which services are commissioned across a number of partnerships. The assets and resources of wider partners are not being included on the PCC's balance sheet. The Policing Protocol Order states that, 'at all times the Chief Constable, their constables and staff, remain operationally independent in the service of the communities they serve'.

- Public management of the Police Fund rests with the PCC. The PCC and CC share responsibility for effective management of the policing budget and securing value for money. The CC has day to day responsibility for managing allocated budgets and ensuring financial management is consistent with PCC objectives/conditions. Both operationally and financially the PCC has a strategic and accountability role but the CC has operational control within that strategic framework. The CC is responsible for assisting the PCC in planning the force budget. This provides the PCC with control but the CC will have substantial influence. Influence is likely to be more effectively exercised where the force is performing well and meeting strategic objectives, which is the case in Cumbria. In practice most of the objectives will be shared and heavily influenced by the professional opinion of the CC. These matters will be taken into account by the PCC in exercising the statutory responsibility for the Police and Crime Plan.

- Police officer and civilian staff of the force are required statutorily to be under the direction and control of the Chief Constable irrespective of the legal employer. The CC must exercise his/her powers of direction and control in a way to assist the Commissioner but direction and control rests with the Chief Constable and the requirement to delegate control of those resources is statutory. The PCC must not fetter the operational independence of the Police Force and the Chief Constable who leads it. Information required by the PCC from the CC must not fetter the CC's direction and control of the Force. The requirement to consult with the PCC on staffing matters only applies to officers/staff above the rank of Chief Superintendent/police staff equivalents. The PPO also requires the CC to explain to the public the operational actions of officers and staff under their command. The issues of command and direction and control combined with the requirements around operational independence appear to support the CC as the entity that is controlling the majority of staffing resources.

As a result of the statutory requirements to vest direction and control with the CC, the scheme of delegation for Cumbria policing area identifies all police staff that are considered to fall within the definition of civilian staff. The PCC must and has vested all decision making in respect of these staff with the CC. The funding agreement between the PCC and CC passes budget responsibly in respect of these staff to the CC and provides the CC with autonomy of decision making in respect of those budgets. On the basis of direction and control, and on the basis that the primary purpose of these staff and Constables is to maintain the Queen's peace, the costs of police officers and civilian staff are included in the accounts of the CC. Matching principles require related pension liabilities to be treated in the same way.

Police staff that are not employed solely to assist the force (primarily support staff) are identified within the Commissioner's Scheme of Delegation as resources for which the PCC and PCC's Chief Executive have ultimate decision making responsibility. The scheme of delegation does not give direction and control to the CC for this group of staff although the CC may have responsibility for line management. Decision making rests with PCC and the Chief Executive. The budgets for these staff are retained by the PCC under the terms of the funding

agreement between the PCC and the CC. The CC has no autonomy in respect of budgets, structures, terms etc in respect of these staff. With regard to the accounts, this staff group is recognised as expenditure within the accounts of the PCC with matching pension fund liabilities.

The single entity accounts are charged with a recharge to reflect the cost of services provided by one entity to another entity where a single team provides support on a shared service basis. This is primarily in respect of support staff expenditure, with costs initially disclosed in the accounts of the PCC, but where services are provided to both the PCC and the CC. A charge is made to the CC to reflect the cost of service to the Constabulary.

Capital assets for the balance sheet fall into three main areas, land and property, fleet and ICT. The treatment of these assets is based on the requirements of the Code of Practice for Local Authority Accounting (COPLAA) in respect of non-current assets. The relevant considerations have been:

- Asset recognition: assets are recognised on the balance sheet if it is probable that the future economic benefits or service potential associated with the item will flow to the entity.
- Finance lease: transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not be eventually transferred.
- Operating lease: a lease other than a finance lease
- Whether the lease is a finance lease or operating lease depends on the substance of the transaction rather than the form of the contract.

A review of the control of assets and the risks and rewards pertaining to assets has determined that assets will be disclosed on the balance sheet of the PCC. This has been based on:

- Land and property assets: the PCC effectively acts as a landlord and is the recipient of the economic benefit from the asset in terms of appreciation in value and the capital receipt from disposal. The PCC makes all decisions with regard to property disposal and acquisition. The PCC formally approves the capital strategy and property strategy and retains the budgets for estate management and maintenance. The CC can only enter into contracts to acquire property with the express consent of the PCC and may not own land. No such consents have been given.
- Fleet and ICT assets are controlled by the PCC. The CC has no autonomy to act in respect of any capital budgets or purchases. These are all retained by the PCC. The PCC makes all decisions on capital strategy and capital acquisitions are subject to approval by the PCC through a business case. The CC presents to the PCC asset management strategies in respect of ICT and Fleet but has no independence of action

Determining whether capital assets and liabilities should be disclosed within the PCC or CC single entity statements.

Conclusion: all capital assets meet the definition of an operating lease with the PCC as the lessor. Capital assets are included within the balance sheet of the PCC. A charge is made to the CC for their use.

or any authority to enter into contracts without the approval of the PCC. No approval to enter into any contracts has been given. On disposal of assets the PCC is the beneficiary of sale proceeds and funds from his budget any acquisitions.

These arrangements are set out within the scheme of delegation and the funding agreement that governs the relationship between the PCC and CC. A charge is made from the PCC to the CC to reflect the CC's use of PCC assets. On the basis of these arrangements, all assets are considered to meet the definition of an operating lease with the PCC as the lessor and the CC as lessee.

Debtors, Creditors and Cash

The arrangements between the PCC and CC do not provide any authorisation for the CC to enter into contracts. The PCC operates a bank account and makes all arrangements for the procurement of supplies and services. The making of creditor payments, recovery of debt and management of cash is transacted by the PCC on behalf of both the PCC and the CC. The CC undertakes a number of activities that generate income. The PCC

Determining the amounts of debtors, creditors and cash within the PCC and CC single entity statements.

Conclusion: all external debtor, creditor and cash balances are shown within the accounts of the PCC. The single entity statements show debtor and creditor liabilities between the PCC and CC. The CC will have a single cash flow transaction for the net deficit on the CI&ES.

statutorily is the recipient of all income and as such income collection and generation activities are undertaken on behalf of the PCC and all income is receipted to the PCC's bank account. The CC is unable to borrow and has no powers to undertake treasury transactions. The funding agreement between the PCC and CC is made on the basis of cash flow. This means that the CC receives a funding amount up to a maximum level of defined budget but can only claim what has been spent. The PCC makes all payments on behalf of the CC and as such the CC will not have any cash balances.

To reflect these arrangements within the statement of accounts, the PCC's financial statements disclose all external debtor and creditors, reflecting the PCC's liability in respect of these transactions. Both the PCC and CC's financial statements disclose any associated debtor and creditor liability between the entities. These transactions are primarily in respect of the CC's liability to the

PCC for external debtors where the CC has utilised the supply or service or the PCC's liability to the CC to fund accrued expenditure under the terms of the funding agreement. The PCC's financial statements show all cash transactions other than the movement through the CC's cash flow statement for the net deficit on the C&IES.

2013/14 Financial Year Significant Accounting Changes

2013/14 Financial Year Significant Accounting Changes

The CC has powers of statutory override for the 2013/14 financial statements. Transactions treated as negative useable reserves in 2012/13 have been moved to unusable reserves in 2013/14 consistent with the accounting treatment applied with the override powers.

The CC's accounts contain staffing expenditure for police officers and operational staff and a matched pension liability irrespective of their being employed by the PCC. This presentation resulted in a high level of negative useable reserves within the 2012/13 financial statements of the CC and the group. This was as a result of the absence of statutory powers to enable the CC to enact a number of accounting transactions that are made to ensure that income and expenditure, accounted for according to IFRS and codes of practice, impact on the statements only at the amounts that would be a charge to income during the financial year. The Anti-Social Behaviour, Crime and Policing Act 2014 conferred on the CC the necessary powers to enact those transactions. The impact of this change in legislation is that a number of transactions have been made within the 2013/14 financial statements to move those amounts treated in the 2012/13 statements as negative useable reserves to unusable reserves.

Presentation of the Commissioner's Group and Single Entity Financial Statements

As part of the process for producing the financial statements a significant amount of work has been undertaken to consider how improvements could be made to financial reporting in the context of the 2013 CIPFA guidance, financial statements\ a good practice guide for local authorities. The guidance explores a number of the factors that influence the technical presentation of the financial statements and that impact on the extent to which the financial statements communicate with the reader in a clear, understandable, interesting and engaging way. The guidance advocates a de-cluttering approach that robustly challenges the need for the volume of information provided within the statements on the grounds of materiality. It also encourages more substantive debate on this issue between those producing the statements and their auditors. Audit requirements are considered to be a significant driver in respect of some of the more detailed information disclosures.

In taking account of this guidance, a number of changes have been made to the presentation of the financial statements. The significant changes include:

Presentation of the PCC group and single entity financial statements as a single interrelated set of accounts. The main financial statements are presented side by side and the notes to the accounts where practicable show in a single table, but represented in separate columns, the group and single entity transactions. The accounting policies are a single document but separately identify where the policy may not apply to the single entity. This approach has a significant impact on reducing the volume of the statements by reducing the total number of financial notes and simplifying the disclosures to a single narrative where this applies consistently to the single entity and group.

Reducing the notes to the financial statements on the grounds of materiality, following discussions with the appointed auditors. A number of areas of the financial statements were reviewed to determine the value of the disclosures in communicating the material elements of the overall financial position. As a result of this work the following notes have been substantially reduced or removed from the financial statements: agency fees,

inventories/stocks and trust funds. In other notes such as financial instruments, intangible assets and segmental reporting, changes to the presentation have been made to improve the readability of the accounts. Both of these measures have been well received by the audit team.

Integration of the Introduction to the Financial Statements and the Summary Accounts into a single simplified narrative that is presented at the start of the financial statements and that can also be used as a standalone summary statement. The document sets out the financial position on the basis of the management accounts, provides a high level financial summary of each of the key financial statements and gives consideration to the financial outlook for future years.

The incorporation of text boxes throughout the statements to highlight and explain a number of the more regularly used technical terms. References to technical terms in the main text are shown in a different font colour and are underlined to highlight for the reader that that the term is explained within the glossary. Pictures of our HQ assets (Durranshill, Working and Barrow (artist's impression)) have been incorporated into relevant sections of the statements to support the narrative. The narrative has been reviewed and simplified where possible. The narrative is however largely reliant on the example notes within the Code of Practice practitioner's guidance. There is an audit expectation that the financial statements will closely follow the example notes and these notes can be highly technical in their use of language.

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

Letter of management representation

Office of the Police and Crime Commissioner Carleton Hall Penrith Cumbria CA10 2AU

Police & Crime Commissioner for Cumbria R Rhodes

Chief Executive S Edwards Chief Finance Officer/Deputy Chief Executive R Hunter CPFA

Call 01768 217734 email commissioner@cumbria-pcc.gov.uk



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www.cumbria-pcc.gov.uk

22 September 2014

Dear Mrs Blatcher,

The Police and Crime Commissioner for Cumbria Group Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the group financial statements of The Police and Crime Commissioner for Cumbria and its subsidiary undertaking, The Chief Constable for Cumbria Constabulary, for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with International Financial Reporting Standards.

I confirm that to the best of my knowledge and belief having made such inquiries as I considered necessary for the purpose of appropriately informing myself:

Group Financial Statements

- i I have fulfilled my responsibilities for the preparation of the group financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith. In respect of asset valuations, I operate a five year rolling programme. Whilst this is not fully compliant with the Code I am satisfied that there is no material misstatement in the valuation of assets.
- ii I have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the group financial statements.

- iii As The Police and Crime Commissioner for Cumbria I have complied with all aspects of contractual agreements that could have a material effect on the group financial statements in the event of non-compliance.
- iv I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by me in making accounting estimates, including those measured at fair value, are reasonable.
- vi I am satisfied that the material judgements used by me in the preparation of the group financial statements are soundly based, in accordance with the Code, and adequately disclosed in the group financial statements. There are no further material judgements that need to be disclosed.
- vii Except as stated in the group financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of The Police and Crime Commissioner have 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 I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I also confirm that all significant retirement 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 International Financial Reporting Standards and the Code.
- x All events subsequent to the date of the group financial statements and for which International Financial Reporting Standards and the Code require 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 International Financial Reporting Standards.
- xii The group financial statements are free of material misstatements, including omissions.
- xiii I have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group financial statements.
- xiv I believe that the group 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's needs. I believe that no further disclosures relating to the group's ability to continue as a going concern need to be made in the group financial statements.

Information Provided

- xv I have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group 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 Office of the Police and Crime Commissioner from whom you determined it necessary to obtain audit evidence.
- xvi I 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 financial statements.
- xviii I have disclosed to you the results of my assessment of the risk that the group financial statements may be materially misstated as a result of fraud.
- xix I have disclosed to you all information in relation to fraud or suspected fraud that I am aware of and that affects The Police and Crime Commissioner for Cumbria and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx I have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting The Police and Crime Commissioner for Cumbria's group financial statements communicated by employees, former employees, regulators or others.
- xxi I 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 group financial statements.
- xxii I have disclosed to you the identity of The Police and Crime Commissioner for Cumbria's related parties and all the related party relationships and transactions of which we are aware.
- xxiii I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group financial statements.

Annual Governance Statement

- xxiv I am satisfied that the Annual Governance Statement (AGS) fairly reflects The Police and Crime Commissioner for Cumbria'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

Approval

The approval of this letter of representation was minuted by the Executive Board at its meeting on 22 September 2014.

Mr Richard Rhodes
The Police and Crime Commissioner for Cumbria
22 September 2014



Police and Crime Commissioner for Cumbria

Statement of Accounts | 2013/14





Police and Crime Commissioner for Cumbria

Statement of Accounts 2013/14

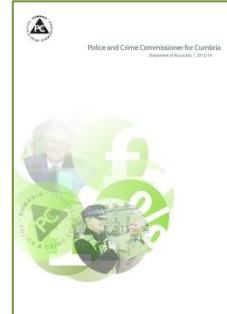
About this Publication

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 2013/14 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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Turkish

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Police and Crime Commissioner for Cumbria

Statement of Accounts 2013/14

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The PCC CFO Introduction. For a quick, highly summarised version of this Statement of Accounts please read the next 10 pages. The full story starts on page 13, please read that too.

Please see page 27 for a full list of the notes to the accounts and cross references to page numbers.

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2013/14 financial year. This is the second set of accounts for the Police and Crime Commissioner for Cumbria. On 22 November 2012 the Police and Crime Commissioner (the Commissioner) and the Chief Constable were established as separate legal entities with a requirement for single entity accounts. The funding and accountability relationship between the entities meets the definition of a subsidiary for the Chief Constable. This results in a requirement for the Commissioner to produce consolidated group accounts. This financial statement sets out both the single entity statements of the Commissioner and the consolidated group position. They are published in accordance with the Accounts and Audit Regulations 2011.

The statement provides a breakdown of net spending during the year and shows the strong overall financial position of the Commissioner as at 31 March 2014. The reporting format is specifically designed to meet the requirements of the Code of Practice on financial reporting. 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: www.cumbria-pcc.gov.uk. This introduction aims to provide a simplified summary of the financial statements as part of this publication. It is also available as stand-alone Summary Statement document on the same website, together with the single entity statements of the Chief Constable for Cumbria Constabulary.

Statutory Framework

The 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 for the police force.

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. 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.

2013/14 Grant Settlement and Budget

The Commissioner incurs both revenue and capital expenditure, although revenue expenditure is by far the larger amount. Revenue expenditure can broadly be described as day to day running costs and includes most of the costs of operational policing in addition to expenditure with wider partners on community safety and crime reduction. It is funded through a mixture of government grants, the principle of which are the police grant and formula grant, together with locally raised income from Council Tax.

Capital expenditure is made up broadly of expenditure on non-current or fixed assets. These are assets that have a useful life of beyond one year and include expenditure on property, vehicles, ICT and other equipment. Capital expenditure is funded from a home office grant, capital receipts generated from the sale of capital assets and by direct contributions from revenue income.

The combined net revenue budget for the Commissioner and the Constabulary for 2013/14 of £98.771m was set by the Commissioner on 22 February 2013. Funding of this amount came from formula and capital grants (£65.830m), income from Council Tax and the Commissioner's share of District Council's collection funds net surplus (£32.941m). The capital budget was set at £11.961m and included provision for the new South Territorial Policing Area headquarters at Barrow.

The budget was supported by an increase in Council Tax of 1.95%, taking the Commissioner's proportion of the band D equivalent tax to £204.66 per annum. The effect of the increase is to support the medium term financial forecast and mitigate some of the impact of cost increases and reductions in government funding. The overall position on income supported by the Council Tax enabled the Commissioner to maintain the existing establishment of police officer and police and community support officer (PCSO) numbers. The Chief Constable was provided with a budget of £102m to support policing. The income budget also provided £4.35m for Commissioned Services, to provide funding for partnership working across the Commissioner's wider community safety, crime reduction and victim support responsibilities.

The table below shows the summary budget for 2013/14 as set on 22 February, the revised budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit). References to the PCC relate to the Police and Crime Commissioner, references to CC relate to the Chief Constable.

PCC Chief Finance Officer Introduction and Summary of Accounts

Summary Budget and Outturn

	Base Budget 2013/14 £000s	Revised Budget 2013/14 £000s	Provisional Outturn 2013/14 £000s	(Under)/ Overspend 2013/14 £000s
Constabulary Budget	102,752	101,696	98,371	(3,325)
CC Managed Budgets	8,002	6,582	6,863	281
Office of the PCC	891	891	890	(1)
Commissioned Services	4,353	4,353	4,343	(10)
PCC Other	2,239	6,679	9,746	3,067
Grants/ Contributions	(19,466)	(21,430)	(21,442)	(12)
Net Expenditure	98,771	98,771	98,771	0
<i>External Funding</i>				
Government Grants	65,830	65,830	65,830	0
Council Tax	32,941	32,941	32,941	0
Total External Funding	98,771	98,771	98,771	0

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 Comprehensive Income and Expenditure statement.

The constabulary budget is made up of funding for employee costs (Police Officers £75.8m, PCSO's £2.88m, Police Staff £13m), transport costs of £2.9m and supplies/other costs of £11m. Chief Constable managed budgets comprise premises expenditure of £3.7m with the balance being support staff and other employee costs including provision for redundancy. These budgets are managed by the Chief Constable on behalf of the Commissioner. PCC other budgets combine the costs of technical accounting adjustments, capital finance costs and movements in reserves.

In-Year Financial Performance

Revenue Expenditure: The combined revenue underspend during the year amounted to £3.195m and of this sum £2.590m (81%) related to reduced expenditure on police officers and PCSO's as a result of operating below establishment. The Chief Constable has now developed a robust workforce plan which will see police officer and PCSO numbers operating on or around establishment throughout 2014/15.

The underspend for the year was forecast early in the budget monitoring process. This enabled £3m of the unutilised funding to be included within the 2014/15 budget to support investment in commissioned services. A commissioned services strategy and programme has been developed alongside grant regulations to provide a governance framework that provides funding for partnership working, supporting victims, community safety and prevention.

The Commissioned Services budget for 2013/14 provided funding for initiatives in support of a number of the priorities identified within the Police and Crime Plan. Funding has been supplemented by contributions from district councils that has focused on community safety projects and includes a significant £1.5m Investment in County Wide CCTV. Funding has also been provided to Community Safety Partnerships, County Council Youth Offending and Domestic Violence Advisory Services and West Cumbria Rape Crisis. £50k has been provided to Community Groups as part of the Community Fund.

The Commissioner also maintains the Police Property Act Fund. This 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 2013/14 awards totaling £12k were made. As at 31 March 2014 the Police Property Act fund balance stood at £56k.

Capital Expenditure: In 2013/14 Capital Expenditure amounted to £3.311m. The original capital programme was amended during the year to £8.962m to reflect changes in respect of the prior year capital outturn, new schemes approved and the re-profiling of some capital projects. The final outturn of £3.311m represents only 37% of the adjusted budget being spent in the year with 63% of the budget being re-profiled into future years. Almost half of the slippage relates to the construction of a new South Territorial Policing Area headquarters at Barrow where now that the contract to build the new premises has been awarded, a revised profile of payments has been developed. Whilst the payment profile for the project has slipped the planned completion date for the scheme remains on target. The remaining slippage primarily relates to ICT schemes which have been re-profiled for a combination of reasons including delays in national scheme specifications and the development of detailed business cases to support the projects. Further work has been undertaken with spending departments during the budget setting process for 2014/15 with the aim of reducing slippage and improving the budget forecast for capital expenditure.



The Financial Statements

The aim of the financial 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. This section of the financial summary provides an explanation of the various parts of the statement alongside a high level summary and narrative on the financial position. **The financial statements for 2012/13 have been re-stated due to a change in disclosure requirements in respect of pensions. A full explanation is provided in note 34 to the accounts on pages 86-88.**

The key financial statements are:

- The movement in reserves statement (MiRS)
- The comprehensive income and expenditure statement (CI&ES)
- The Balance Sheet (BS)
- The Cash Flow Statement (CFS)
- The Police Officer Pension Fund Accounts

Movement in Reserves Statement

This statement shows the different reserves held by the Commissioner, analysed into 'Usable Reserves' that that can be applied to fund expenditure or reduce taxation and other (principally technical accounting) 'Unusable Reserves'. It shows the opening balance on all reserves at the start of the year, movements in year and the closing balance. The movements in year comprise movements arising from the Surplus or Deficit on the Provision of Services line within CI&ES, other CI&ES adjustments, accounting adjustments and transfers to and from earmarked reserves.

The accounting adjustments provide a mechanism through which charges made within the accounts in accordance with accounting standards are reversed, leaving only the statutory amounts required to be charged for council tax 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. The statement is shown in page 20 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

	Balance 01/04/2013 £000s	Movements 2013/14 £000s	Balance 31/03/2014 £000s
Police Fund	5,149	0	5,149
Earmarked Revenue Reserves	12,705	4,090	16,795
Earmarked Capital Reserves	8,860	2,010	10,870
Capital Receipts	1,188	(145)	1,043
Capital Grant Unapplied	3,765	101	3,866
Constabulary Usable Reserves	(1,042,939)	1,042,939	0
Total Usable Reserves	(1,011,272)	1,048,995	37,723
Unusable Reserves	43,011	(1,018,604)	(975,593)
Total Reserves	(968,261)	30,391	(937,870)

The Chief Constable's financial statements for 2012/13 included a number of technical accounting reserves as usable reserves that would normally be treated as unusable reserves. This accounting treatment was required as at the time the Chief Constable did not have the powers of statutory override required to reverse accounting entries through a movement in reserves statement. These powers have now been granted and as such the reserves are now shown as unusable reserves and a movement between usable and unusable reserves was effected as at 1 April 2013. This change accounts for the largest movement in reserves in respect of an amount of £1,042m.

Reserves are held to manage both planned expenditure and provide a contingency against unplanned costs in the future which cannot be accurately quantified at the time of closing the accounts. The Reserves Statement shows that the Commissioner's Police Fund Balance at 31 March 2014 stands at £5.149m. This represents approximately 5% of the net budget and will be held at this level pending the 2015/16 grant settlement. In addition a number of specific earmarked reserves are maintained to address specific areas of expenditure, usually of a non-recurring nature, which must be incurred in future years. Earmarked reserves increased by £6.100m during 2013/14, primarily as a result of the underspend on funding provided by the Commissioner to the Constabulary and the capital reserve for CCTV. The underspend has been planned into the 2014/15 budget to provide commissioned services. More detail on earmarked reserves is provided within note 5 to the statement of accounts on pages 34-35.

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 and grant income. The Commissioner prepares this statement in accordance with the service expenditure analysis as required by the Service Reporting Code of Practice (SERCOP). This provides information on the cost of the different policing services that have been provided over the financial year

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

	Gross Expenditure 2013/14 £000s	Gross Income 2013/14 £000s	Net Expenditure 2013/14 £000s
Local policing	48,987	(1,972)	47,015
dealing with the public	7,445	(44)	7,401
criminal justice arrangements	9,133	(404)	8,729
Road policing	6,953	(956)	5,997
Specialist operations	4,050	(458)	3,592
Intelligence	5,873	(231)	5,642
Investigations	14,012	(291)	13,721
Investigative support	3,142	(56)	3,086
National policing	1,465	(964)	501
Corporate and democratic core	1,172	(2)	1,170
Non distributed costs	91	0	91
Exceptional items - termination costs	671	0	671
Cost of Services	102,994	(5,378)	97,616
other operating expenditure	14,758	(14,838)	(80)
Financing and investment income	48,856	(3,708)	45,148
Taxation and non-specific grant income	0	(105,218)	(105,218)
(surplus)/deficit on the provision of services	166,608	(129,142)	37,466
other comprehensive income and expenditure	0	(67,857)	(67,857)
Total comprehensive income and expenditure	166,608	(196,999)	(30,391)

The statement shows a net cost of services of £98m, based on proper accounting practices. This comprises £103m of expenditure funded by £5m of specific grant income and income from fees and charges. A further £15m is spent on pension costs which are supported by an equivalent amount of specific grant funding. The overall position on the statement is a surplus of £30m that is taken to reserves and reflects the accounting surplus from the CI&ES.

The CI&ES is shown on page 22 of the full statement of accounts. A subjective analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the notes to the accounts (note 20b to the statement of accounts on page 68).

Capital Financing costs on the CI&ES are extremely low other than those that fund the PFI scheme. This reflects the Commissioner's decision to continue to fund the borrowing requirement arising from the capital programme internally. This is due to the Commissioner's level of cash reserves and the relatively low interest rates available on investing such balances. At the end of the financial year £17.357m (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 during the forward interest rate cycle, the Commissioner will need to consider taking up external equivalent borrowings.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31st March 2014) of the assets and liabilities recognised by the Commissioner. Assets comprise the Commissioner's property, plant and equipment, including software. These are termed long term assets and have been valued at £61m. Current assets comprising investments, debtors and cash have a value of £34m. Current liabilities reflect amounts owed by the Commissioner. They include creditors, PFI, pensions and finance lease liabilities. They are split between short term and long term liabilities, the short term liabilities being those amounts due to be paid within 1 year. The net assets (assets less liabilities) are matched on the balance sheet by the Commissioner'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 in page 24 in the full statement of accounts.

The table below sets out a summary balance sheet.

	Balance as at 31/03/2013 £000s	Balance as at 31/03/2014 £000s
Property, plant & equipment	59,569	60,850
Intangible assets	1,261	643
Current assets	28,052	34,208
Current liabilities	(10,274)	(10,822)
Long term liabilities	(1,046,869)	(1,022,749)
Net Assets	(968,261)	(937,870)
Usable reserves	(1,011,272)	37,723
Unusable reserves	43,011	(975,593)
Total reserves	(968,261)	(937,870)

Reserves are reported on the balance sheet consistently with the movement in reserves statement, across two

categories. Usable Reserves result from the Commissioner's activities and can be used to finance future expenditure. The Usable Reserves comprise of the Police Fund, Earmarked Reserves and Unapplied Capital Receipts. Unusable Reserves are derived from accounting adjustments and cannot be spent. The Unusable Reserves include accounting reserves in respect of revaluations, pensions, council tax, accumulated absences and the capital adjustment account. **The movement between usable and unusable reserves on the balance sheet is explained within the narrative on the movement in reserves statement (page 7).**

The Commissioner's 2013/14 group balance sheet includes a combined pensions deficit of £1,017m (£1,040m in 2012/13) for the Local Government Pension Scheme (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 Commissioner remains healthy.

The Commissioner has a good collection record in respect of invoices raised for services provided. During 2013/14 only five sundry debtor invoices totalling £12,010 were authorised to be written off as not collectable. The Bad Debt Provision stands at £4,172 (£2,043 in 2012/13) against the future potential that not all outstanding invoices will prove to be 100% collectable. See note 12 to the statement of accounts (Page 47).

PCC Chief Finance Officer Introduction and Summary of Accounts

Post Balance Sheet Events

In the Commissioner's 2012/13 Statement of Accounts, a post balance sheet event was included in relation to the continued suspension of Mr. Hyde the temporary Chief Constable, on 13 September 2012. In September 2013, Mr. Hyde returned to work in his substantive role as Deputy Chief Constable. Mr. Lawson the temporary Chief Constable (seconded from Merseyside Police) continued in his role throughout 2013/14. Mr. Hyde retired from his post in December 2013. In April 2014, the Commissioner undertook a recruitment exercise to appoint a permanent Chief Constable for Cumbria and Mr. Graham (formerly the Deputy Chief Constable) was appointed to the role following confirmation by the Police and Crime Panel and will take up office on 1 August 2014.

The Cash Flow Statement

The Cash Flow 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 statement is shown on pages 25-26 of the full statement of accounts.

	Cash Flows 2012/13 £000s	Cash Flows 2013/14 £000s
Balance 1 April	(4,618)	(10,680)
Net cash flow from:		
- Operating activity	(5,928)	(8,453)
- Investing activities	(274)	7,737
- Financing activities	140	86
Balance 31 March	(10,680)	(11,310)

Police Officer Pension Fund Accounts

This statement sets out the transactions on the Police Officer pension fund account for the year. A page of explanatory notes are also provided within the financial statements to support the account.

	Pension Fund A/c 2012/13 £000s	Pension Fund A/c 2013/14 £000s
Contributions - Employer	(9,987)	(9,772)
Contributions - Officers	(4,939)	(5,277)
Transfers In	(180)	(298)
Capital Equivalent - Ill Health	(231)	(469)
Benefits Payable	27,311	30,392
Refunds of Contributions	0	9
Transfers Out	84	173
Net Amount payable	12,058	14,758
Contribution from PCC/Home Office top Up grant	(12,058)	(14,758)
Net Amount Payable	0	0

The statement identifies a net amount payable for the year of £14.758m. This is the difference between the amount due from employer, police officer and other contributions into the fund and the pension benefits that

PCC Chief Finance Officer Introduction and Summary of Accounts

are payable from the fund. The Police Officer Pension Fund is an unfunded scheme. This means that there are no investment assets built up to meet pension liabilities. Any difference between the amounts received into the fund and amounts to be paid are met by central government grant.

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 acronyms. The statements are published alongside the Annual Governance Statement for the Police and Crime Commissioner and the Chief Constable in accordance with the 2011 Accounts and Audit (England) Regulations.

The Annual Governance Statement of the Commissioner can be found at www.cumbria-pcc.gov.uk/governance-transparency/document-library.aspx or on pages 110-136 of the full statement of accounts.

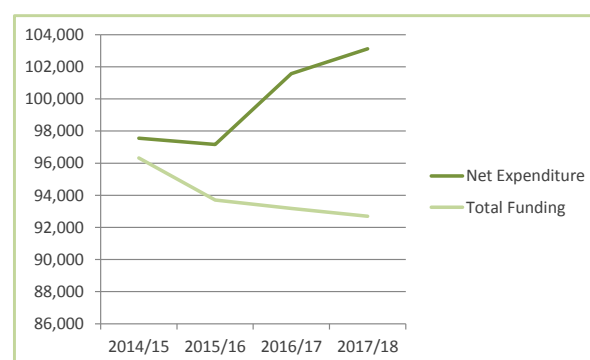
The Financial Outlook

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 as at 31 March 2014. This has primarily arisen as a result of underspend on the budget and

positive action on behalf of the Constabulary to reduce costs in the context of future reductions in government funding. Whilst the outlook is financially resilient in the short term, it is expected to become significantly more challenging over the next few years.

Significantly the budget set for 2014/15 was set in the context of a four year medium term financial forecast that is in deficit from 2016/17. Gross income, at the time of setting the 2014/15 budget, was forecast to be £122.3m but with an estimated reduction to £118.6m by 2017/18. Whilst income decreases cost will rise due to the impact of inflation and pay awards.

The chart below illustrates for the next four years, the current forecast of expenditure compared to funding available to finance it.



The 2015 spending review is expected to make further reductions in the total level of resources available. At least £10m of savings will need to be made over those four years to balance the budget even with annual increases in council tax. This will mean significant reductions in police officers and staff at a time where some crime figures are starting to increase.

PCC Chief Finance Officer Introduction and Summary of Accounts

The current financial forecasts exclude the impact of a £16m risk of funding loss arising from changes to central government funding formula. The balance sheet position on reserves is currently being maintained at a higher than usual level to mitigate against the impact of this risk. The Commissioner and Chief Constable are developing a detailed change programme to consider options that will address the future gap between expenditure and income.

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

Acknowledgements

The financial statements were **originally** authorised for issue by me as PCC Chief Finance Officer (CFO), on 25 June 2014. **Following completion of the audit, they were re-authorised by me on 22 September 2014 and were formally approved by the Police and Crime Commissioner** at a joint meeting of the Executive Board and Joint Audit and Standards Committee.

Ruth Hunter

PCC Chief Finance Officer/Deputy Chief Executive

The accounts present a true and fair view of the position of the Police and Crime Commissioner's Group Accounts as at 31 March 2014 and its income and expenditure for the year there ended.

PCC Chief Finance Officer/Deputy Chief Executive

Ruth Hunter CPFA _____ Date 22 September 2014

The accounts present a true and fair view of the position of the Police and Crime Commissioner's Group Accounts as at 31 March 2014 and its income and expenditure for the year there ended.

Police and Crime Commissioner for Cumbria

Richard Rhodes _____ Date 22 September 2014

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 PCC Chief Finance Officer (CFO).
- Manage his affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts **including annexes to the Statement of Accounts**.

2 The Commissioner's Chief Finance Officer's Responsibilities

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

In preparing this Statement of Account, the Commissioner's CFO has:

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

The Commissioner's CFO has also:

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

The Commissioner's 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 2014.

Responsibilities for the Statement of Accounts

3 The Chief Constable's Responsibilities

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

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

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

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

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

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

The Chief Constable's CFO has also:

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

The Chief Constable's CFO should sign and date the Chief Constable's Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2014.



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Independent Auditor's Report

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Independent Auditor's Report

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Core Financial Statements

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

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

Due to the size of the statements, the positions for the Group and the PCC are shown in separate tables, the figures for 2013/14 and the comparators for 2012/13 are also shown in separate tables.

- **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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

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

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

The first category of reserves are **usable reserves**, i.e. those reserves that the Commissioner may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are **unusable reserves** and relate to those that the Commissioner is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The balance sheet for the Group and PCC are shown side by side and include both 2013/14 figures and 2012/13 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 2013/14 figures and 2012/13 comparators.

Movement in Reserves Statement – Group

The figures for the group in 2013/14 are provided in the table below:

Group Figures for 2013/14	Balance at 1 April 2013	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers between usable and unusable reserves	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2013/14	Balance at 31 March 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	5,149	(37,466)	0	(37,466)	43,566	0	6,100	(6,100)	0	5,149
Earmarked Revenue Reserves	12,705	0	0	0	0	0	0	4,090	4,090	16,795
Earmarked Capital Reserves	8,860	0	0	0	0	0	0	2,010	2,010	10,870
Capital Receipts Reserve	1,188	0	0	0	(145)	0	(145)	0	(145)	1,043
Capital Grants Unapplied	3,765	0	0	0	101	0	101	0	101	3,866
Chief Constable's Police Pension Reserve	(1,010,490)	0	0	0	0	1,010,490	1,010,490	0	1,010,490	0
Chief Constable's LGPS Pension Reserve	(28,804)	0	0	0	0	28,804	28,804	0	28,804	0
Chief Constable's Accumulated Absences Account	(3,645)	0	0	0	0	3,645	3,645	0	3,645	0
Total Usable Reserves	(1,011,272)	(37,466)	0	(37,466)	43,522	1,042,939	1,048,995	0	1,048,995	37,723
Unusable Reserves										
Revaluation Reserve	7,095	0	1,884	1,884	1	0	1,885	0	1,885	8,980
Capital Adjustment Account	36,460	0	0	0	(1,305)	0	(1,305)	0	(1,305)	35,155
Police Pensions Reserve	0	0	51,350	51,350	(40,260)	(1,010,490)	(999,400)	0	(999,400)	(999,400)
LGPS Pensions Reserve	(966)	0	14,623	14,623	(2,192)	(28,804)	(16,373)	0	(16,373)	(17,339)
Collection Fund Adjustment Account	447	0	0	0	(74)	0	(74)	0	(74)	373
Accumulated Absences Account	(25)	0	0	0	308	(3,645)	(3,337)	0	(3,337)	(3,362)
Total Unusable Reserves	43,011	0	67,857	67,857	(43,522)	(1,042,939)	(1,018,604)	0	(1,018,604)	(975,593)
Total Reserves	(968,261)	(37,466)	67,857	30,391	0	0	30,391	0	30,391	(937,870)

The comparative figures for 2012/13 are provided in the table below:

Group Re-stated Figures for 2012/13	Balance at 1 April 2012	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers to other usable reserves	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2012/13	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	5,149	(1,064)	0	(1,064)	3,704	0	2,640	(2,640)	0	5,149
Earmarked Revenue Reserves	9,465	0	0	0	0	0	0	3,240	3,240	12,705
Earmarked Capital Reserves	9,460	0	0	0	0	0	0	(600)	(600)	8,860
Capital Receipts Reserve	0	0	0	0	1,188	0	1,188	0	1,188	1,188
Capital Grants Unapplied	3,338	0	0	0	427	0	427	0	427	3,765
Chief Constable's Constabulary Fund	0	(37,898)	(125,410)	(163,308)	0	163,308	0	0	0	0
Chief Constable's Police Pension Reserve	(854,730)	0	0	0	0	(155,760)	(155,760)	0	(155,760)	(1,010,490)
Chief Constable's LGPS Pension Reserve	(21,190)	0	0	0	0	(7,614)	(7,614)	0	(7,614)	(28,804)
Chief Constable's Accumulated Absences Account	(3,711)	0	0	0	0	66	66	0	66	(3,645)
Total Usable Reserves	(852,219)	(38,962)	(125,410)	(164,372)	5,319	0	(159,053)	0	(159,053)	(1,011,272)
Unusable Reserves										
Revaluation Reserve	7,755	0	(603)	(603)	(57)	0	(660)	0	(660)	7,095
Capital Adjustment Account	41,875	0	0	0	(5,415)	0	(5,415)	0	(5,415)	36,460
Police Pensions Reserve	0	0	0	0	0	0	0	0	0	0
LGPS Pensions Reserve	(712)	0	(210)	(210)	(44)	0	(254)	0	(254)	(966)
Collection Fund Adjustment Account	255	0	0	0	192	0	192	0	192	447
Accumulated Absences Account	(30)	0	0	0	5	0	5	0	5	(25)
Total Unusable Reserves	49,143	0	(813)	(813)	(5,319)	0	(6,132)	0	(6,132)	43,011
Total Reserves	(803,076)	(38,962)	(126,223)	(165,185)	0	0	(165,185)	0	(165,185)	(968,261)

Movement in Reserves Statement – PCC

The figures for the PCC Single Entity in 2013/14 are provided in the table below:

PCC Figures for 2013/14	Balance at 1 April 2013	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers between usable and unusable reserves	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2013/14	Balance at 31 March 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	5,149	4,605	0	4,605	1,495	0	6,100	(6,100)	0	5,149
Earmarked Revenue Reserves	12,705	0	0	0	0	0	0	4,090	4,090	16,795
Earmarked Capital Reserves	8,860	0	0	0	0	0	0	2,010	2,010	10,870
Capital Receipts Reserve	1,188	0	0	0	(145)	0	(145)	0	(145)	1,043
Capital Grants Unapplied	3,765	0	0	0	101	0	101	0	101	3,866
Total Usable Reserves	31,667	4,605	0	4,605	1,451	0	6,056	0	6,056	37,723
Unusable Reserves										
Revaluation Reserve	7,095	0	1,884	1,884	1	0	1,885	0	1,885	8,980
Capital Adjustment Account	36,460	0	0	0	(1,305)	0	(1,305)	0	(1,305)	35,155
LGPS Pensions Reserve	(966)	0	475	475	(72)	0	403	0	403	(563)
Collection Fund Adjustment Account	447	0	0	0	(74)	0	(74)	0	(74)	373
Accumulated Absences Account	(25)	0	0	0	(1)	0	(1)	0	(1)	(26)
Total Unusable Reserves	43,011	0	2,359	2,359	(1,451)	0	908	0	908	43,919
Total Reserves	74,678	4,605	2,359	6,964	0	0	6,964	0	6,964	81,642

The comparative figures for 2012/13 are provided in the table below:

PCC Re-stated Figures for 2012/13	Balance at 1 April 2012	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers to other usable reserves	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2012/13	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	5,149	(1,064)	0	(1,064)	3,704	0	2,640	(2,640)	0	5,149
Earmarked Revenue Reserves	9,465	0	0	0	0	0	0	3,240	3,240	12,705
Earmarked Capital Reserves	9,460	0	0	0	0	0	0	(600)	(600)	8,860
Capital Receipts Reserve	0	0	0	0	1,188	0	1,188	0	1,188	1,188
Capital Grants Unapplied	3,338	0	0	0	427	0	427	0	427	3,765
Total Usable Reserves	27,412	(1,064)	0	(1,064)	5,319	0	4,255	0	4,255	31,667
Unusable Reserves										
Revaluation Reserve	7,755	0	(603)	(603)	(57)	0	(660)	0	(660)	7,095
Capital Adjustment Account	41,875	0	0	0	(5,415)	0	(5,415)	0	(5,415)	36,460
Police Pensions Reserve	0	0	0	0	0	0	0	0	0	0
LGPS Pensions Reserve	(712)	0	(210)	(210)	(44)	0	(254)	0	(254)	(966)
Collection Fund Adjustment Account	255	0	0	0	192	0	192	0	192	447
Accumulated Absences Account	(30)	0	0	0	5	0	5	0	5	(25)
Total Unusable Reserves	49,143	0	(813)	(813)	(5,319)	0	(6,132)	0	(6,132)	43,011
Total Reserves	76,555	(1,064)	(813)	(1,877)	0	0	(1,877)	0	(1,877)	74,678

Comprehensive Income and Expenditure Statement - Group

		Group 2012/13 Gross Expenditure Re-stated £000s	Group 2012/13 Gross Income Re-stated £000s	Group 2012/13 Net Expenditure Re-stated £000s	Group 2013/14 Gross Expenditure £000s	Group 2013/14 Gross Income £000s	Group 2013/14 Net Expenditure £000s
	Notes						
Local Policing	20a	49,600	(3,324)	46,276	48,987	(1,972)	47,015
Dealing with the public	20a	7,475	(31)	7,444	7,445	(44)	7,401
Criminal justice arrangements	20a	9,354	(450)	8,904	9,133	(404)	8,729
Road policing	20a	7,109	(939)	6,170	6,953	(956)	5,997
Specialist operations	20a	4,202	(337)	3,865	4,050	(458)	3,592
Intelligence	20a	7,371	(309)	7,062	5,873	(231)	5,642
Investigations	20a	13,578	(293)	13,285	14,012	(291)	13,721
Investigative support	20a	2,907	(40)	2,867	3,142	(56)	3,086
National policing	20a	2,055	(1,833)	222	1,465	(964)	501
Corporate and democratic core	20a	1,267	0	1,267	1,172	(2)	1,170
Non distributed costs	20a	201	0	201	91	0	91
Termination Payments	27	1,134	0	1,134	671	0	671
Cost Of Services		106,253	(7,556)	98,697	102,994	(5,378)	97,616
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	6e	0	(173)	(173)	0	(80)	(80)
Transfer to Pension Fund/Pension Top Up Grant		12,058	(12,058)	0	14,758	(14,758)	0
		12,058	(12,231)	(173)	14,758	(14,838)	(80)
Financing and Investment Income and Expenditure							
Interest payable on debt		2	0	2	0	0	0
Interest element of finance leases (lessee)		1	0	1	1	0	1
Interest payable on PFI unitary payments		677	0	677	668	0	668
Net Interest on the net defined pension benefit liability	15	46,331	(3,531)	42,800	48,187	(3,550)	44,637
Investment property rental income		0	(7)	(7)	0	(10)	(10)
Investment interest income		0	(104)	(104)	0	(148)	(148)
		47,011	(3,642)	43,369	48,856	(3,708)	45,148
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	29	0	(1,059)	(1,059)	0	(889)	(889)
Income from Council Tax	30	0	(35,782)	(35,782)	0	(32,867)	(32,867)
Council Tax Grant (Freeze & Support)		0	(858)	(858)	0	(4,944)	(4,944)
DCLG Formula Funding	29	0	(33,337)	(33,337)	0	(33,939)	(33,939)
Revenue Support Grant	29	0	(663)	(663)	0	0	0
Home Office Police Grant	29	0	(30,544)	(30,544)	0	(31,891)	(31,891)
PFI Grant	29	0	(688)	(688)	0	(688)	(688)
		0	(102,931)	(102,931)	0	(105,218)	(105,218)
(Surplus) or Deficit on Provision of Services		165,322	(126,360)	38,962	166,608	(129,142)	37,466
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation gains				(4)			(2,173)
Revaluation losses (chargeable to revaluation reserve)				607			289
Impairment losses (chargeable to revaluation reserve)				0			0
Remeasurement of the net defined pension benefit liability/asset	15			125,620			(65,973)
Other Comprehensive Income and Expenditure				126,223			(67,857)
Total Comprehensive Income and Expenditure				165,185			(30,391)

Comprehensive Income and Expenditure Statement - PCC

		PCC 2012/13 Gross Expenditure Re-stated £000s	PCC 2012/13 Gross Income Re-stated £000s	PCC 2012/13 Net Expenditure Re-stated £000s	PCC 2013/14 Gross Expenditure £000s	PCC 2013/14 Gross Income £000s	PCC 2013/14 Net Expenditure £000s
	Notes						
Local Policing	20a	9,243	(10,277)	(1,034)	8,250	(7,836)	414
Dealing with the public	20a	1,393	(97)	1,296	1,254	(175)	1,079
Criminal justice arrangements	20a	1,743	(1,393)	350	1,538	(1,606)	(68)
Road policing	20a	1,325	(2,903)	(1,578)	1,171	(3,799)	(2,628)
Specialist operations	20a	783	(1,041)	(258)	682	(1,819)	(1,137)
Intelligence	20a	1,374	(955)	419	989	(918)	71
Investigations	20a	2,530	(908)	1,622	2,360	(1,158)	1,202
Investigative support	20a	542	(123)	419	529	(223)	306
National policing	20a	383	(5,668)	(5,285)	247	(3,832)	(3,585)
Corporate and democratic core	20a	991	0	991	873	(2)	871
Non distributed costs	20a	6	0	6	3	0	3
Funding Provided by PCC to CC		106,618		106,618	103,613	0	103,613
Cost Of Services		126,931	(23,365)	103,566	121,509	(21,368)	100,141
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	6e	0	(173)	(173)	0	(80)	(80)
Transfer to Pension Fund/Pension Top Up Grant		12,058	(12,058)	0	14,758	(14,758)	0
		12,058	(12,231)	(173)	14,758	(14,838)	(80)
Financing and Investment Income and Expenditure							
Interest payable on debt		2	0	2	0	0	0
Interest element of finance leases (lessee)		1	0	1	1	0	1
Interest payable on PFI unitary payments		677	0	677	668	0	668
Net Interest on the net defined benefit liability (asset)	15	148	(115)	33	156	(115)	41
▲ Investment property rental income		0	(7)	(7)	0	(10)	(10)
▲ Investment interest income		0	(104)	(104)	0	(148)	(148)
		828	(226)	602	825	(273)	552
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	29	0	(1,059)	(1,059)	0	(889)	(889)
Income from Council Tax	30	0	(35,782)	(35,782)	0	(32,867)	(32,867)
Council Tax Grant (Freeze & Support)		0	(858)	(858)	0	(4,944)	(4,944)
DCLG Formula Funding	29	0	(33,337)	(33,337)	0	(33,939)	(33,939)
Revenue Support Grant	29	0	(663)	(663)	0	0	0
Home Office Police Grant	29	0	(30,544)	(30,544)	0	(31,891)	(31,891)
PFI Grant	29	0	(688)	(688)	0	(688)	(688)
		0	(102,931)	(102,931)	0	(105,218)	(105,218)
(Surplus) or Deficit on Provision of Services		139,817	(138,753)	1,064	137,092	(141,697)	(4,605)
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation gains				(4)			(2,173)
Revaluation losses (chargeable to revaluation reserve)				607			289
Impairment losses (chargeable to revaluation reserve)				0			0
Remeasurement of the net defined pension benefit liability/asset	15			210			(475)
Other Comprehensive Income and Expenditure				813			(2,359)
Total Comprehensive Income and Expenditure				1,877			(6,964)

Balance Sheet – PCC & Group

		PCC 31 March 2013 Re-stated £000s	PCC 31 March 2014 £000s	Group 31 March 2013 Re-stated £000s	Group 31 March 2014 £000s
	Notes				
Property, Plant & Equipment	6				
Land and Buildings	6	51,203	52,681	51,203	52,681
Vehicles	6	2,289	2,003	2,289	2,003
Information Technology Equipment	6	5,332	4,900	5,332	4,900
Furniture, Equipment & Plant	6	525	457	525	457
Assets Under Construction (Land & Buildings)	6	120	709	120	709
Investment Properties		100	100	100	100
		59,569	60,850	59,569	60,850
Intangible Assets - Software	8	1,261	643	1,261	643
Long Term Investments (Non Property)		0	0	0	0
Long Term Assets		60,830	61,493	60,830	61,493
Short Term Investments	11	7,603	13,636	7,603	13,636
Assets held for sale (within 1yr)	10	416	0	416	0
Inventories		0	0	302	326
Short Term Debtors (external)	12	9,051	8,936	9,051	8,936
Short Term Debtors (amounts owed to PCC by CC re CC share of external Creditors)	12	7,920	8,211	0	0
Short Term Debtors (funding balance owed to PCC by CC)	12	2,960	3,204	0	0
Cash and Cash Equivalents	CF4	10,680	11,310	10,680	11,310
Current Assets		38,630	45,297	28,052	34,208
Short Term Creditors (external)	13	(10,189)	(10,733)	(10,189)	(10,733)
Short Term Creditors (amounts owed by PCC to CC re CC share of external debtors)	13	(2,760)	(2,986)	0	0
Short Term Creditors (funding balance due from PCC to CC)	13	(5,428)	(5,557)	0	0
PFI Finance Lease Liability Due within 1 Year	16	(76)	(86)	(76)	(86)
Finance Lease Liability Due within 1 Year		(9)	(3)	(9)	(3)
Current Liabilities		(18,462)	(19,365)	(10,274)	(10,822)
Provisions	14	(45)	0	(1,300)	(790)
Other Long Term Liabilities					
Pensions liability - Police	15	0	0	(1,010,490)	(999,400)
Pensions liability - LGPS	15	(966)	(563)	(29,770)	(17,339)
PFI Finance Lease Liability	16	(5,306)	(5,220)	(5,306)	(5,220)
Finance Lease Liability		(3)	0	(3)	0
Long Term Liabilities		(6,320)	(5,783)	(1,046,869)	(1,022,749)
Net Assets		74,678	81,642	(968,261)	(937,870)
Usable reserves					
Police Fund		5,149	5,149	5,149	5,149
Earmarked reserves (revenue)	5	12,705	16,795	12,705	16,795
Earmarked reserves (capital)	5	8,860	10,870	8,860	10,870
Capital Receipts Reserve	4	1,188	1,043	1,188	1,043
Capital Grants Unapplied	4	3,765	3,866	3,765	3,866
Chief Constable's Police Pension Reserve	19c	0	0	(1,010,490)	0
Chief Constables LGPS Pension Reserve	19c	0	0	(28,804)	0
Chief Constable's Accumulated Absences Account	19d	0	0	(3,645)	0
		31,667	37,723	(1,011,272)	37,723
Unusable Reserves	19				
Revaluation Reserve	19a	7,095	8,980	7,095	8,980
Capital Adjustment Account	19b	36,460	35,155	36,460	35,155
Pensions Reserve - Police	19e	0	0	0	(999,400)
Pensions Reserve - LGPS	19e	(966)	(563)	(966)	(17,339)
Collection Fund Adjustment Account	19c	447	373	447	373
Accumulated Absences Account	19d	(25)	(26)	(25)	(3,362)
		43,011	43,919	43,011	(975,593)
Total Reserves		74,678	81,642	(968,261)	(937,870)

Cash Flow Statement – PCC & Group

	See Note Below	PCC 2012/13 Re-stated £000s	PCC 2013/14 £000s	Group 2012/13 Re-stated £000s	Group 2013/14 £000s
Net (Surplus) or Deficit on the provision of services		1,064	(4,605)	38,962	37,466
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(8,335)	(4,307)	(46,233)	(46,378)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	CF2	1,343	459	1,343	459
Net cash flows from Operating Activities	CF3	(5,928)	(8,453)	(5,928)	(8,453)
Investing Activities	CF4	(274)	7,737	(274)	7,737
Financing Activities	CF5	140	86	140	86
Net (increase) or decrease in cash and cash equivalents		(6,062)	(630)	(6,062)	(630)
Cash and cash equivalents at the beginning of the reporting period		(4,618)	(10,680)	(4,618)	(10,680)
Cash and cash equivalents at the end of the reporting period	CF6	(10,680)	(11,310)	(10,680)	(11,310)
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		(5,395)	(5,032)	(5,395)	(5,032)
Impairment & Downward Valuations		(2,993)	500	(2,993)	500
Carrying amount of non current assets - sold		(1,205)	(416)	(1,205)	(416)
Grants applied to the financing of cap exp		1,059	889	1,059	889
Pension Liability (Contributions to/from Pensions Reserve)		(45)	(71)	(38,008)	(42,452)
Creditors - Change in Balance Sheet		549	(544)	549	(544)
Creditors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		(149)	226	(149)	226
Creditors - Adjustment re CC Share of Debtors		44	(226)	0	0
Creditors - Adjustment re Balance of Funding due from PCC to CC		(845)	(129)	0	0
Debtors - Change in Balance Sheet		312	(115)	312	(115)
Debtors - Change in Balance Sheet (Adjustment for Investment Interest)		(81)	33	(81)	33
Debtors - Adjustment re CC Share of Creditors		460	291	0	0
Debtors - Adjustment re Balance of Funding due from CC to PCC		(2)	243	0	0
Stock - Change in Balance Sheet		0	0	12	24
Provisions - Change in Balance Sheet		(44)	44	(334)	509
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(8,335)	(4,307)	(46,233)	(46,378)

Cash Flow Statement – PCC & Group

	See Note Below	PCC 2012/13 Re-stated £000s	PCC 2013/14 £000s	Group 2012/13 Re-stated £000s	Group 2013/14 £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 PPE and Intangibles		1,343	459	1,343	459
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,343	459	1,343	459
CF3 - The cash flows from <i>Operating Activities</i> include the following items:					
Interest received		(193)	(107)	(193)	(107)
Interest Paid		680	(669)	680	669
CF4 - The cash flows from <i>Investing Activities</i> are made up as follows:					
Purchase of property, plant and equipment and intangible assets		4,028	3,085	4,028	3,085
Purchase of short-term and long-term investments		104,300	71,300	104,300	71,300
Proceeds from the sale of property, plant and equipment and intangible assets		(1,343)	(459)	(1,343)	(459)
Proceeds from short-term and long-term investments		(106,200)	(65,300)	(106,200)	(65,300)
Other receipts from investing activities		(1,059)	(889)	(1,059)	(889)
Net cash flows from investing activities		(274)	7,737	(274)	7,737
CF5 - The cash flows from <i>Financing Activities</i> are made up as follows:					
Cash receipts of short and long-term borrowing		0	0	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		77	86	77	86
Repayment of short and long-term borrowing		63	0	63	0
Net cash flows from financing activities		140	86	140	86
CF6 - The balance of <i>Cash and Cash Equivalents</i> is made up as follows:					
Bank current accounts		(21)	(16)	(21)	(16)
Short-term deposit with bank (overnight)		(2,555)	(89)	(2,555)	(89)
Investments in Money Market Funds (available on demand)		(8,104)	(11,205)	(8,104)	(11,205)
Total Cash and Cash Equivalents		(10,680)	(11,310)	(10,680)	(11,310)

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 2013/14 will be highlighted, whilst the comparatives for 2012/13 (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 91-93. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in pages 94 to 109 of this document, the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for policing. However, the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Commissioner is deemed to control the services provided under the PFI agreement in relation to the West Cumbria [TPA](#) HQ at Workington. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement. The Commissioner has a number of options regarding ownership of the PFI building beyond the initial 25 year contract period including the right to purchase the asset for half of its market value at that time. In 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 £7.7m. In addition, a liability for outstanding obligations to pay for the building, which includes the cost of purchasing the asset for half its construction cost at the end of the PFI period are also shown on the balance sheet. As the PFI contract approaches its end it may be necessary to reflect an additional liability to recognise that the market value of the asset may exceed the construction cost.

2 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Commissioner's Chief Finance Officer on **22 September 2014**. Events taking place after this date are not reflected in the financial statements or notes.

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

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

The items in the Commissioner's group balance sheet as at 31 March 2014 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
Debtors	At 31 March 2014 the Commissioner had a balance of debtors invoices raised of £698k. A review of significant balances suggested that an impairment of doubtful debts of £4k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £4k to set aside as an allowance.

Notes to the Accounts

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>The current economic climate makes it uncertain that the Commissioner will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <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>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £26k for every year that useful lives had to be reduced.</p> <p>Revaluation gains and losses or disposal proceeds in future years may be significantly different than anticipated. However, as all land and building assets are subject to an impairment review in the year, the impact of this is thought to be immaterial.</p>
Provisions	The Commissioner has made a provision of £495k 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 Commissioner.	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 £50k to the provision needed.
	The Commissioner has made a provision of £45k in respect of termination costs (redundancy and additional pensions) in respect of redundancies to which the Constabulary had made an offer and could no longer withdraw as at 31 March 2014 which will take place in 2014/15.	<p>Throughout the period of re-organisation, termination costs have been met from the Management of Change Reserve established for this purpose, any increase in the costs of termination (over and above that in the provision) will be met from the reserve.</p> <p>Any increase or decrease in the actual amount paid compared to the established provision will fall to the revenue budget for 2014/15.</p>
	The Commissioner has made a provision of £250k in respect of legal claims that are currently ongoing.	Any increase or decrease in the actual liability will need to be met from the revenue budget.
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>	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 note 15c (pages 56- 57).

Notes to the Accounts

4 Adjustments between Accounting Basis and Funding Basis under Regulations

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

The figures for the Group for 2013/14 are set out in the table below:

	Note	Group Police Fund Balance	Group Capital Receipts Reserve	Group Capital Grants Unapplied	Group Total Usable Reserves	Group Total Unusable Reserves	Group Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,395	0	0	4,395	(4,395)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	(500)	0	0	(500)	500	0
Amortisation of intangible assets	8	637	0	0	637	(637)	0
Capital grants and contributions applied	19b	(49)	0	0	(49)	49	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6e/10	416	0	0	416	(416)	0
Statutory provision for the financing of capital investment	32a	(383)	0	0	(383)	383	0
Capital expenditure charged against the Police Fund	32a	(1,873)	0	0	(1,873)	1,873	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(840)	0	840	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	19b	0	0	(739)	(739)	739	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(458)	458	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	32a	0	(600)	0	(600)	600	0
Contribution from the Capital Receipts Reserve towards administration costs of non current asset disposals	6e/20f	3	(3)	0	0	0	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES	15a/19e	71,035	0	0	71,035	(71,035)	0
Employer's pension contributions and direct payments to pensioners payable in the year	15a/19e	(28,583)	0	0	(28,583)	28,583	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	19c/30	74	0	0	74	(74)	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19d	(308)	0	0	(308)	308	0
Total Adjustments		43,566	(145)	101	43,522	(43,522)	0

Notes to the Accounts

The comparative figures for the Group for 2012/13 are set out in the table below:

	Note	Group Police Fund Balance	Group Capital Receipts Reserve	Group Capital Grants Unapplied	Group Total Usable Reserves	Group Total Unusable Reserves	Group Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,692	0	0	4,692	(4,692)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	2,993	0	0	2,993	(2,993)	0
Amortisation of intangible assets	8	703	0	0	703	(703)	0
Capital grants and contributions applied	19b	(122)	0	0	(122)	122	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6e/10	1,204	0	0	1,204	(1,204)	0
Statutory provision for the financing of capital investment	32a	(377)	0	0	(377)	377	0
Capital expenditure charged against the Police Fund	32a	(2,972)	0	0	(2,972)	2,972	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(937)	0	937	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	19b	0	0	(510)	(510)	510	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(1,343)	1,343	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	32a	0	(139)	0	(139)	139	0
Contribution from the Capital Receipts Reserve towards administration costs of non current asset disposals	6e/20f	16	(16)	0	0	0	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	15a/19e	141	0	0	141	(141)	0
Employer's pension contributions and direct payments to pensioners payable in the year	15a/19e	(97)	0	0	(97)	97	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	19c/30	(192)	0	0	(192)	192	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19d	(5)	0	0	(5)	5	0
Total Adjustments		3,704	1,188	427	5,319	(5,319)	0

Notes to the Accounts

The figures for the PCC for 2013/14 are set out in the table below:

	Note	PCC Police Fund Balance	PCC Capital Receipts Reserve	PCC Capital Grants Unapplied	PCC Total Usable Reserves	PCC Total Unusable Reserves	PCC Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,395	0	0	4,395	(4,395)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	(500)	0	0	(500)	500	0
Amortisation of intangible assets	8	637	0	0	637	(637)	0
Capital grants and contributions applied	19b	(49)	0	0	(49)	49	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6e/10	416	0	0	416	(416)	0
Statutory provision for the financing of capital investment	32a	(383)	0	0	(383)	383	0
Capital expenditure charged against the Police Fund	32a	(1,873)	0	0	(1,873)	1,873	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(840)	0	840	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	19b	0	0	(739)	(739)	739	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(458)	458	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	32a	0	(600)	0	(600)	600	0
Contribution from the Capital Receipts Reserve towards administration costs of non current asset disposals	6e/20f	3	(3)	0	0	0	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	15a/19e	168	0	0	168	(168)	0
Employer's pension contributions and direct payments to pensioners payable in the year	15a/19e	(96)	0	0	(96)	96	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	19c/30	74	0	0	74	(74)	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19d	1	0	0	1	(1)	0
Total Adjustments		1,495	(145)	101	1,451	(1,451)	0

Notes to the Accounts

The comparative figures for the PCC for 2012/13 are set out in the table below:

	Note	PCC Police Fund Balance	PCC Capital Receipts Reserve	PCC Capital Grants Unapplied	PCC Total Usable Reserves	PCC Total Unusable Reserves	PCC Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,692	0	0	4,692	(4,692)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	2,993	0	0	2,993	(2,993)	0
Amortisation of intangible assets	8	703	0	0	703	(703)	0
Capital grants and contributions applied	19b	(122)	0	0	(122)	122	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6e/10	1,204	0	0	1,204	(1,204)	0
Statutory provision for the financing of capital investment	32a	(377)	0	0	(377)	377	0
Capital expenditure charged against the Police Fund	32a	(2,972)	0	0	(2,972)	2,972	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(937)	0	937	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	19b	0	0	(510)	(510)	510	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(1,343)	1,343	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	32a	0	(139)	0	(139)	139	0
Contribution from the Capital Receipts Reserve towards administration costs of non current asset disposals	6e/20f	16	(16)	0	0	0	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	15a/19e	141	0	0	141	(141)	0
Employer's pension contributions and direct payments to pensioners payable in the year	15a/19e	(97)	0	0	(97)	97	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	19c/30	(192)	0	0	(192)	192	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19d	(5)	0	0	(5)	5	0
Total Adjustments		3,704	1,188	427	5,319	(5,319)	0

5 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Police Fund balances in [earmarked reserves](#) to provide financing for future expenditure plans and the amounts credited to earmarked reserves to meet Police Fund expenditure in 2013/14 (and for 2012/13).

	PCC/Group Balance at 01/04/12 £000s	PCC/Group Reserves Combined 2012/13 £000s	PCC/Group Transfers Out 2012/13 £000s	PCC/Group Transfers In 2012/13 £000s	PCC/Group Balance at 31/03/13 £000s	PCC/Group Transfers Out 2013/14 £000s	PCC/Group Transfers In 2013/14 £000s	PCC/Group Balance at 31/03/14 £000s
Insurance	546	0	(103)	0	443	(47)	98	494
Management of Change	1,627	0	(1,117)	1,500	2,010	(333)	0	1,677
Operational Contingency	200	0	0	50	250	0	0	250
PFI Reserve	1,320	0	0	240	1,560	0	0	1,560
PFI Lifecycle Replacement 1	108	0	(11)	0	97	(41)	0	56
PFI Lifecycle Replacement 2	207	0	0	50	257	0	0	257
Police and Crime Commissioner	150	0	0	0	150	0	100	250
Police and Crime Commissioner Transition	208	0	(109)	120	219	(151)	11	79
Equalisation Reserve	1,422	(1,422)	0	0	0	0	0	0
Investment Fund	0	3,337	0	2,943	6,280	0	3,000	9,280
Past Service Cost (LGPS)	0	0	0	0	0	0	196	196
Airwave	250	(220)	(30)	0	0	0	0	0
Chief Constables Reserve	289	(289)	0	0	0	0	0	0
Future Pensions Liability	153	(153)	0	0	0	0	0	0
Health & Safety	138	(138)	0	0	0	0	0	0
Incentivisation Harmonisation	31	(31)	0	0	0	0	0	0
Mobile Data Project	300	0	(89)	0	211	(96)	0	115
Police National Database	383	(370)	0	0	13	0	0	13
Public Holiday	64	0	0	0	64	0	150	214
Risk Management Initiatives	175	(175)	0	0	0	0	0	0
Budget Holders Funds	1,894	(539)	(463)	259	1,151	(433)	1,636	2,354
Total Revenue Reserves	9,465	0	(1,922)	5,162	12,705	(1,101)	5,191	16,795
Capital Reserve	9,460	0	(600)	0	8,860	0	2,010	10,870

A narrative description of the purpose of each of the [earmarked reserves](#) is provided below for information:

- Insurance – to offset any insurance claims not specifically detailed in the insurance [provision](#).
- Management of Change – to help manage significant organisational change.
- Operational [Contingency](#) – to provide resources both to back up the annual operational contingency and, in addition, to assist in funding unexpected major events, if necessary.
- PFI [Reserves](#) – to equalise the impact on the Comprehensive Income and Expenditure Statement of changing levels of grant income and charges over the period of the contract
- Police and Crime Commissioner – to provide a dedicated reserve for the Commissioner’s responsibilities.
- Police and Crime Commissioner Transition – to help manage the potential costs associated with the transition to Police Commissioners.
- Investment Fund – to invest in initiatives such as technology, equipment and training to meet the Commissioner’s priorities and to increase the productivity of the Constabulary. Revenue Underspends amounting to £3m were added to this reserve during the year.
- Past Service Cost LGPS – reserve established in 2013/14 to be used to help meet additional past service costs chargeable in 2014/15 as a result of the decision to pay 3 years contribution upfront in order to generate a saving.
- Mobile Data – to support the roll out in relation to the use, benefits and efficiencies offered by the use of mobile data.
- Police National Database - to offset the revenue costs associated with the implementation of the Police National Database system.
- Public Holiday - to smooth peaks in overtime expenditure due when bank holidays fall across financial years.
- Budget Holders Funds –to support a variety of locally managed initiatives arising from unspent balances in previous years, granted under the scheme of devolved resource management.
- Capital [Reserve](#) – direct contributions from revenue 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).

6 Property, Plant and Equipment

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

	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	PFI Assets Included in P.P.E. £000s
Cost or Valuation							
At 1 April 2013	53,036	8,182	21,580	2,892	120	85,810	7,576
Reclassification Adjustment							
Additions	0	0	66	0	0	66	0
Enhancements	0	636	1,524	58	589	2,807	0
Revaluation increases/(decreases)	418	0	0	0	0	418	0
recognised in the Revaluation Reserve	490	0	0	0	0	490	200
Revaluation increases/(decreases)	106	0	0	0	0	106	0
recognised in the Surplus/Deficit on the Provision of Services							
Derecognition - Disposals	0	(995)	0	0	0	(995)	0
Derecognition - Other	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0
At 31 March 2014	54,050	7,823	23,170	2,950	709	88,702	7,776
Accumulated Depreciation & Impairment							
At 1 April 2013	(1,833)	(5,893)	(16,248)	(2,367)	0	(26,341)	(406)
Adjustment to Opening Balance	0	0	0	0	0	0	0
Depreciation Charge	(1,324)	(922)	(2,023)	(126)	0	(4,395)	(164)
Depreciation on Disposals	0	995	0	0	0	995	0
Depreciation written out to the Revaluation Reserve	1,394	0	0	0	0	1,394	388
Depreciation written out to the Surplus/Deficit on the Provision of Services	394	0	0	0	0	394	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Depreciation as at 31 March 2014	(1,369)	(5,820)	(18,271)	(2,493)	0	(27,953)	(182)
Net Book Value							
At 31 March 2014	52,681	2,003	4,899	457	709	60,749	7,594
At 31 March 2013	51,203	2,289	5,332	525	120	59,469	7,170

Notes to the Accounts

The comparative figures for 2012/13 are set out in the table below:

	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture & Equipment £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets Included in P.P.E. £000s
Cost or Valuation							
At 1 April 2012	57,354	7,810	20,278	2,805	339	88,586	7,576
Adjustment to Opening Balance	0	0	0	0	0	0	0
Additions	310	988	1,302	87	796	3,483	0
Enhancements	155	0	0	0	0	155	0
Revaluation increases/(decreases)	(1,061)	(616)	0	0	0	(1,677)	0
recognised in the Revaluation Reserve							
Revaluation increases/(decreases)	(2,237)	0	0	0	0	(2,237)	0
recognised in the Surplus/Deficit on the Provision of Services							
Derecognition - Disposals	0	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	(2,500)	0	0	0	0	(2,500)	0
Other movements in cost or valuation	1,015	0	0	0	(1,015)	0	0
At 31 March 2013	53,036	8,182	21,580	2,892	120	85,810	7,576
Accumulated Depreciation & Impairment							
At 1 April 2012	(1,178)	(5,536)	(13,993)	(2,221)	0	(22,928)	(243)
Adjustment to Opening Balance	0	0	0	0	0	0	0
Depreciation Charge	(1,318)	(973)	(2,255)	(146)	0	(4,692)	(163)
Depreciation on Disposals	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	458	616	0	0	0	1,074	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	132	0	0	0	0	132	0
Assets reclassified (to)/from Held for Sale	73	0	0	0	0	73	0
Depreciation as at 31 March 2013	(1,833)	(5,893)	(16,248)	(2,367)	0	(26,341)	(406)
Net Book Value							
At 31 March 2013	51,203	2,289	5,332	525	120	59,469	7,170
At 31 March 2012	56,176	2,274	6,285	584	339	65,658	7,333

Notes to the Accounts

6.a Valuations Rolling Programme

The Commissioner carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at [fair value](#) is revalued at least every five years. Valuations of land and buildings are carried out on behalf of the Commissioner by Mr. C. Smith Bsc MRICS of Carigiet Cowen and were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on historic cost as a proxy for fair value. The basis of the valuations is set out in the statement of accounting policies on page 101. The table below sets out details of the land and buildings valuations undertaken over the five year rolling programme.

	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture Equipment & Plant £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s
Carried at Historical Cost	202	7,823	23,170	2,721	709	34,625
Valued at Fair Value as at:						
- 31 March 2014	38,075	0	0	0	0	38,075
- 31 March 2013	8,115	0	0	0	0	8,115
- 31 March 2012	6,586	0	0	229	0	6,815
- 31 March 2011	510	0	0	0	0	510
- 31 March 2010	562	0	0	0	0	562
Total Cost or Valuation	54,050	7,823	23,170	2,950	709	88,702

6.b Impairment Review

The Commissioner's professional valuer, Mr. C. Smith of Carigiet Cowen, has made an assessment of the possible effects of material [impairment](#) to land and buildings during the financial year. His assessment was based on a number of specific criteria, which, in his opinion, could affect the valuation of assets. The outcome of the assessment process is that the valuer has concluded that there are no impairments.

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

A brief analysis of the Commissioner's principal assets as at 31 March 2014 is set out below:

	PCC/Group As at 31 March	
	2013 Number	2014 Number
HQ, TPA HQ & Larger Police Stations	9	9
Other Police Stations	13	13
Police Houses and other Properties	16	16
Surplus Properties/ Held for Sale/ Investment Properties	3	1
Vehicles	387	375
Total	428	414

6.d Effects of Changes in Estimates

There have been no material changes in estimates in the 2013/14 accounts.

Notes to the Accounts

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

The table below analyses the (gain)/loss on sale of property, plant and equipment for the year ended 31 March 2014.

	Net Book Value £000s	PCC/Group		
		Costs of Sale £000s	Proceeds of Sale £000s	(Gain) / Loss £000s
Land and Buildings	416	3	(448)	(29)
Vehicles	0	8	(59)	(51)
Total	416	11	(507)	(80)

The comparative figures for 2012/13 are set out in the table below:

	Net Book Value £000s	PCC/Group		
		Costs of Sale £000s	Proceeds of Sale £000s	(Gain) / Loss £000s
Land and Buildings	1,205	15	(1,323)	(103)
Vehicles	0	18	(88)	(70)
Total	1,205	33	(1,411)	(173)

Note in 2013/14 £49k (£68k in 2012/13) of receipts from proceeds of sale included in the above table were individually below the £10k threshold for recognition as [capital receipts](#) and have therefore been treated as revenue income. This explains why the capital receipts recorded in note 4 show £458k (£1,343k in 2012/13) rather than £507k (£1,411k in 2012/13) as above.

7 Capital Commitments

The Commissioner has outstanding contractual commitments amounting to £8,470k in respect of a number of schemes from the 2013/14 capital programme (£235k in 2012/13). The capital budget outturn report for 2013/14 was presented to the Commissioner's Executive Board on 04 June 2014 and is available on the Commissioner's website.

Outstanding Capital Commitments	PCC/Group As at 31 March	
	2013 £000s	2014 £000s
Finance and Business Systems Upgrade Project	0	20
HQ Roof Repairs	0	113
Integrated Command and Control System	195	195
Radio Replacements	0	174
South Estate - Barrow	0	7,536
STORM (Command & Control System)	26	26
Vehicle Replacement	14	406
Total	235	8,470

8 Intangible Assets

The Commissioner accounts for his computer software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item within Property, Plant and Equipment. The intangible assets include computer software development and acquisitions. All software is given a finite useful life (5 years), based on assessments of the period that the software is expected to be of use to the Commissioner. The carrying amount of intangible assets is amortised on a straight line basis and is charged to the Comprehensive Income and Expenditure Statement.

A summary of the movements in intangible assets during the year and the position as at 31 March 2014 (with comparatives for 2012/13) is set out in the table below:

	PCC/Group	
	2012/13 £000s	2013/14 £000s
Balance at start of year		
- Gross carrying amount	4,756	4,997
- Accumulated amortisation	(3,033)	(3,736)
Net carrying amount at start of year	1,723	1,261
Reclassification Adjustment	0	(66)
Additions	241	86
Disposals	0	0
Amortisations for the period	(703)	(637)
Amortisation adjustment re disposals	0	0
Net carrying amount at end of year	1,261	643
Comprising		
- Gross carrying amount	4,997	5,017
- Accumulated amortisation	(3,736)	(4,374)
	1,261	643

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

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

Allocation of Amortisation	PCC/Group	
	2012/13 £000s	2013/14 £000s
Local Policing	317	287
Dealing with the Public	76	69
Criminal Justice Arrangements	79	72
Road Policing	46	42
Specialist Operations	22	20
Intelligence	48	43
Specialist Investigations	89	81
Investigative Support	18	16
National Policing	8	7
	703	637

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

9 Heritage Assets

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

The code requires Heritage Assets, which are maintained principally for their contribution to knowledge or culture, to be separately disclosed.

The Commissioner holds a small number of historical ephemera relating to policing in Cumbria which would fall under the definition of heritage assets including: a ceremonial chair, four antique firearms, several trophies, a commemorative plaque, two ceremonial swords and four portraits.

In the opinion of the Commissioner the assets do not have a material intrinsic value in the context of the Commissioner's accounts. Due to their historical origin no cost or valuation information is available and because of their diverse nature specialist valuations would be required to obtain a reliable estimate of their value. The Commissioner is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefits gained and therefore no values are included in the Commissioner's balance sheet.

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 2013/14 with comparative information for 2012/13.

	PCC/Group As at 31 March	
	2013 £000s	2014 £000s
Balance outstanding at start of year	181	416
Newly classified as held for sale	2,427	0
Revaluation gains/(losses)	(942)	0
Reversal of Impairment losses	72	0
Assets sold	(1,204)	(416)
De-classified as held for sale	(118)	0
Balance outstanding at end of year	416	0

11 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.*

11.a Categories of Financial Instrument

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

	PCC Long Term		PCC Current		Group Long Term		Group Current	
	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s
Financial Assets								
Investments								
Loans and receivables	0	0	7,603	13,636	0	0	7,603	13,636
Debtors								
Financial assets carried at contract amounts	0	0	4,467	4,285	0	0	4,603	4,393
Total Financial Assets	0	0	12,070	17,921	0	0	12,206	18,029
Financial Liabilities								
Creditors								
Financial liabilities carried at contract amounts	0	0	(1,264)	(1,497)	0	0	(7,431)	(8,796)
Other Long-term Liability (PFI/Finance Lease)								
PFI & Finance Lease Liabilities	(5,309)	(5,220)	(85)	(89)	(5,309)	(5,220)	(85)	(89)
Total Financial Liabilities	(5,309)	(5,220)	(1,349)	(1,586)	(5,309)	(5,220)	(7,516)	(8,885)

11.b Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2013/14 relating to financial instruments are made up as follows:

	PCC/Group 2012/13				PCC/Group 2013/14			
	Financial Liabilities Held at amortised cost £000s	Financial Liabilities PFI/Finance Lease £000s	Financial Assets Loans & Receivables £000s	Total £000s	Financial Liabilities Held at amortised cost £000s	Financial Liabilities PFI/Finance Lease £000s	Financial Assets Loans & Receivables £000s	Total £000s
Interest Expense	2	678	0	680	0	669	0	669
Impairment Losses (Bad Debts Provision Increase)	0	0	0	0	(2)	0	0	(2)
Total Expenses in (Surplus) or Deficit on the Provision of Services	2	678	0	680	(2)	669	0	667
Interest Income	0	0	(104)	(104)	0	0	(148)	(148)
Impairment Gain (Bad Debts Provision Reduction)	(1)	0	0	(1)	0	0	0	0
Total Income in (Surplus) or Deficit on the Provision of Services	(1)	0	(104)	(105)	0	0	(148)	(148)
Net (Gain)/Loss for the Year	1	678	(104)	575	(2)	669	(148)	519

11.c Fair value of Assets and Liabilities Carried at Amortised Cost

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

- Estimated interest rates at 31 March 2014 of 5% 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:

	PCC 31 March 2013		PCC 31 March 2014		Group 31 March 2013		Group 31 March 2014	
	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	(1,264)	(1,264)	(1,497)	(1,497)	(7,431)	(7,431)	(8,796)	(8,796)
Other Long-term Liabilities (PFI/Finance Lease)	(5,394)	(10,060)	(5,309)	(9,960)	(5,394)	(10,060)	(5,309)	(9,960)
	(6,658)	(11,324)	(6,806)	(11,457)	(12,825)	(17,491)	(14,105)	(18,756)
Financial Assets								
Investments	7,603	7,603	13,636	13,636	7,603	7,603	13,636	13,636
Debtors	4,467	4,467	4,285	4,285	4,603	4,603	4,393	4,393
	12,070	12,070	17,921	17,921	12,206	12,206	18,029	18,029

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.

11.d 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:

www.cumbria-pcc.gov.uk/media/25573/Treasury%20Management%20Strategy%20Statement%202014-15.pdf

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 2013), also imposes a maximum sum to be invested with a financial institution located within each category. An amendment to the TMSS was subsequently approved in June 2013 in light of revisions to the cash flow forecasts, which indicated that average balances available for investment would be higher than anticipated, the change increased the maximum amounts which could be invested with individual financial institutions and classes of financial institutions. All other investment criteria remained unchanged.

The credit criteria as set out in the 2013/14 TMSS (and amendments approved in June 2013) 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	Short Term: F1/P1 Long Term: A-/A1 Support Rating: 3	The lower of £3m (per institution or group). Maximum of all deposits £12m. <i>June 2013 increased to £4.5m and £18m respectively.</i>
Deposits with Money Market Funds	Long Term: AAA	£2m per fund. Maximum of all deposits £10m. <i>June 2013 increased to £3m and £15m respectively.</i>
Deposits with Other Local Authorities	Not credit rated but are legally required to set a balanced budget.	£2m per authority. Maximum of all deposits – No Limit.
Deposits with Debt Management Agency Deposit Facility	Not credit rated but deposits have the best possible credit through the HM Government guarantee	No limit.

In February 2014, the annual update to the TMSS was agreed by the Commissioner. At which point, the minimum investment criteria outlined in the table above was reduced from institutions with a minimum short term credit rating of F1 to F2. The change was largely as a result of improved stability in economic conditions, the fact that most banks have had their credit ratings downgraded and the view of the Commissioner's treasury advisors that an F2 risk profile would represent a prudent level of risk. The agreed revised strategy for 2014/15 was implemented with immediate effect for the remainder of 2013/14.

The Commissioner's maximum exposure to credit risk in relation to its investments in banks, building societies and other Local Authority's of £14m 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 2014 that this was likely to happen.

Notes to the Accounts

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.

PCC/Group	Amount at 31/03/14 £000s	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31/03/14	Estimated maximum exposure to default and uncollectability £000s	Comparative Estimated maximum exposure at 31/03/13 £000s
Customers - Operational Debtors	1,362	0.04%	0.31%	4	2

The Commissioner does not generally allow credit for customers. At the 31 March 2014, £231k of the £1,362k balance of operational debt was past the due date for payment. This sum has increased from the balance at 31 March 2013 (£74k out of £1,363k overdue), as a consequence the Commissioner has increased the bad debt [provision](#) as at 31 March 2014 from £2k to £4k to reflect a degree of uncertainty around some of the longer standing debts. The past due amount can be analysed by age as follows:

	PCC/Group As at 31 March	
	2013 £000s	2014 £000s
Total Operational Debtors	1,363	1,362
Aged Debt past its due date by:		
1-30 Days	44	174
31-60 Days	5	27
61-90 Days	3	10
91-180 Days	1	5
181-360 Days	21	8
361+ Days	0	7
	74	231

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 2014 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.

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 2013/14.

Notes to the Accounts

12 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 2014 is set out in the table below:

	PCC		Group	
	As at 31 March 2013 £000s	2014 £000s	As at 31 March 2013 £000s	2014 £000s
Central Government Bodies	4,302	3,971	4,302	3,971
Other Police / Local Authorities	532	485	532	485
NHS Bodies	69	68	69	68
Public Corporations & Trading Funds	4	9	4	9
Other Entities and Individuals (*)	5,007	5,269	5,007	5,269
Impairment (Provision for Bad Debts)	(863)	(866)	(863)	(866)
Other Entities and Individuals (Net of Impairment)	4,144	4,403	4,144	4,403
Balances Owed From Chief Constable:				
- Re CC Share of External Creditors	7,920	8,211	0	0
- Re balance of Funding	2,960	3,204	0	0
Total Debtors	19,931	20,351	9,051	8,936

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

	PCC		Group	
	As at 31 March 2013 £000s	2014 £000s	As at 31 March 2013 £000s	2014 £000s
* Analysis of Other Entities and Individuals				
Police Pensioners Prepayment	1,906	2,018	1,906	2,018
Goods and Services	418	354	418	354
Prepayments/Payments In Advance	877	1,027	877	1,027
Employees (accumulating compensating absences)	103	109	103	109
Local Taxpayers (#)	1,703	1,761	1,703	1,761
	5,007	5,269	5,007	5,269
Less - Provision for Bad Debts (Goods & Services)	(2)	(4)	(2)	(4)
Less - Provision for Bad Debts (Local Taxpayers) (#)	(861)	(862)	(861)	(862)
	(863)	(866)	(863)	(866)
Other Entities and Individuals (Net of Impairment)	4,144	4,403	4,144	4,403

The debtors in respect of Local Taxpayers represent the Commissioner's share of the debtors recorded by the 6 Cumbrian District Councils in respect of Council Tax. This figure is reduced by the Commissioner's share of their respective bad debt provisions.

13 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 2014 is set out in the table below:

	PCC		Group	
	As at 31 March		As at 31 March	
	2013	2014	2013	2014
	£000s	£000s	£000s	£000s
Central Government Bodies	(1,913)	(1,847)	(1,913)	(1,847)
Other Police / Local Authorities	(897)	(960)	(897)	(960)
NHS Bodies	(3)	(4)	(3)	(4)
Public Corporations & Trading Funds	0	0	0	0
Other Entities and Individuals (*)	(7,376)	(7,922)	(7,376)	(7,922)
Balances Owed to Chief Constable:				
- Re CC Share of External & Employee Debtors	(2,760)	(2,986)	0	0
- Re balance of Funding	(5,428)	(5,557)	0	0
Total Creditors	(18,377)	(19,276)	(10,189)	(10,733)

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

	PCC		Group	
	As at 31 March		As at 31 March	
	2013	2014	2013	2014
	£000s	£000s	£000s	£000s
* Analysis of Other Entities and Individuals				
Goods and Services	(2,731)	(3,438)	(2,731)	(3,438)
Receipts In Advance	(267)	(338)	(267)	(338)
Employees (accumulating compensating absences)	(3,773)	(3,471)	(3,773)	(3,471)
Local Taxpayers	(605)	(675)	(605)	(675)
Other Entities and Individuals	(7,376)	(7,922)	(7,376)	(7,922)

Notes to the Accounts

14 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 2014 is provided below:

- Insurance liabilities – this provision has been established to meet a number of eventualities which are not covered by external insurers. In particular, liability risks up to £25k (per event) are retained by the Commissioner and met internally.
- Termination Payments - this employee related provision relates to a liability that exists in respect of termination benefits as a result of a decision made during 2013/14 for which the actual payments will fall into 2014/15.
- Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.
- MMI Insurance Claims – this provision was established to meet the potential costs arising from the scheme of arrangement put in place by the Commissioner's former insurer Municipal Mutual Insurance Ltd. During 2013/14 a sum of £45k was paid to the County Council in respect of the Commissioner's share of the liability arising to January 2014 (see note 31 contingent liabilities for further details).

The table below shows the movements during the year on each of the group provisions and the position as at 31 March 2014.

Provisions	Balance as at 01/04/13	Additional Provisions Made 2013/14	Amounts Used in 2013/14	Unused Amounts Reversed in 2013/14	Balance as at 31/03/14
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(593)	(52)	150	0	(495)
Termination Payments	(532)	(45)	194	338	(45)
Legal Claims	(130)	(250)	122	8	(250)
MMI Insurance Claims	(45)	0	45	0	0
Total Provisions	(1,300)	(347)	511	346	(790)

The comparative information for year ended 31 March 2013 is as follows:

Provisions	Balance as at 01/04/12	Additional Provisions Made 2012/13	Amounts Used in 2012/13	Unused Amounts Reversed in 2012/13	Balance as at 31/03/13
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(593)	(205)	205	0	(593)
Termination Payments	(232)	(532)	232	0	(532)
Pay Awards	(141)	0	141	0	0
Legal Claims	0	(130)	0	0	(130)
MMI Insurance Claims	0	(45)	0	0	(45)
Total Provisions	(966)	(912)	578	0	(1,300)

The MMI Insurance Claim Provision is the only one included in the Single Entity Statements for the PCC.

15 Pensions

15.a Pension Schemes

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

The Commissioner participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff employees, administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded [defined benefit scheme](#), meaning that the Commissioner and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2013/14 the Commissioner made a contribution of 11.1% of pensionable pay supplemented by a contribution to past service costs for the group of £799k (£279k for the PCC single entity statements). The contribution rate was last reviewed in March 2013 with revised rates applicable from April 2014.
- The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The Commissioner and employees pay contributions into a separate pensions fund account administered by the Commissioner from which on-going pensions liabilities are met. At the year-end any surplus or deficit on the pensions fund account is paid to or met by the Commissioner who then repays or is reimbursed by the Home Office. (2013/14 contribution rates for employers were 24.2% of pensionable pay and was last reviewed in March 2007).

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

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

Notes to the Accounts

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

	Group LGPS Funded Benefits 2012/13 Re-stated £000s		Group LGPS Unfunded Benefits 2012/13 Re-stated £000s		Group Police Scheme Old Scheme 2012/13 2013/14 £000s		Group Police Scheme 2006 Scheme 2012/13 2013/14 £000s	
Comprehensive Income and Expenditure Statement								
<i>Cost of Services</i>								
<i>Service cost comprising:</i>								
• Current service cost	3,151	3,807	0	0	15,460	18,840	2,330	3,660
• Past service costs	0	0	0	0	20	0	0	0
• (Gain)/loss from settlements	181	91	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>								
• Net interest expense	989	1,201	51	46	40,990	42,330	770	1,060
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	4,321	5,099	51	46	56,470	61,170	3,100	4,720
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)	(5,920)	(2,778)	0	0	0	0	0	0
• Actuarial (gains) and losses arising on changes in demographic assumptions	1,151	2,455	6	8	(380)	(140)	0	(10)
• Actuarial (gains) and losses arising on changes in financial assumptions	11,098	(10,748)	63	(24)	140,560	(28,650)	4,000	(2,050)
• Experience (gains) and losses on liabilities	0	(3,665)	0	41	(25,410)	(19,830)	380	(670)
• Administration expenses	72	88	0	0	0	0	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	10,722	(9,549)	120	71	171,240	12,550	7,480	1,990
<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.	(4,321)	(5,099)	(51)	(46)	(56,470)	(61,170)	(3,100)	(4,720)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>								
• Employers' contributions payable to the scheme	2,909	2,888	65	65	0	0	0	0
• Retirements benefits payable to pensioners	0	0	0	0	23,620	26,600	(660)	(970)
Total amount charged against the Police Fund Balance for pensions in the year	2,909	2,888	65	65	23,620	26,600	(660)	(970)

Notes to the Accounts

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

	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	Re-stated		Re-stated	
	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
<i>Service cost comprising:</i>				
• Current service cost	102	124	0	0
• Past service costs	0	0	0	0
• (Gain)/loss from settlements	6	3	0	0
<i>Financing and Investment Income and Expenditure</i>				
• Net interest expense	31	40	2	1
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	139	167	2	1
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)	(192)	(90)	0	0
• Actuarial (gains) and losses arising on changes in demographic assumptions	37	80	0	0
• Actuarial (gains) and losses arising on changes in financial assumptions	361	(349)	2	(1)
• Experience (gains) and losses on liabilities	0	(120)	0	2
• Administration expenses	2	3	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	347	(309)	4	2
<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.	(139)	(167)	(2)	(1)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>				
• Employers' contributions payable to the scheme	95	94	2	2
• Retirements benefits payable to pensioners	0	0	0	0
Total amount charged against the Police Fund Balance for pensions in the year	95	94	2	2

15.b 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 2014 are as follows:-

	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme Old Scheme		Group Police Scheme 2006 Scheme	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(108,282)	(104,245)	(1,097)	(1,103)	(988,130)	(974,080)	(22,360)	(25,320)
Fair value of plan assets	79,609	88,009	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(28,673)	(16,236)	(1,097)	(1,103)	(988,130)	(974,080)	(22,360)	(25,320)

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 £1.017m (£1.040m at 31 March 2013) has a substantial impact on the net worth of the Commissioner as recorded in the group balance sheet, resulting in a negative overall balance of £0.938m (£0.968m at 31 March 2013).

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 2014 are as follows:

	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(3,518)	(3,387)	(36)	(36)
Fair value of plan assets	2,588	2,860	0	0
Net liability arising from defined benefit obligation	(930)	(527)	(36)	(36)

Notes to the Accounts

Reconciliation of present value of scheme liabilities for the group:

	Group LGPS		Group LGPS		Group Police Scheme Old Scheme		Group Police Scheme 2006 Scheme	
	Funded Benefits		Unfunded Benefits					
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	Re-stated		Re-stated					
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(89,083)	(108,282)	(1,042)	(1,097)	(840,510)	(988,130)	(14,220)	(22,360)
Current service cost	(3,151)	(3,807)	0	0	(15,460)	(18,840)	(2,330)	(3,660)
Interest cost	(4,520)	(4,751)	(51)	(46)	(40,990)	(42,330)	(770)	(1,060)
Contributions by Scheme Participants	(1,160)	(1,124)	0	0	(4,330)	(4,470)	(610)	(810)
Remeasurement gains and (losses):								
- Arising from changes in demographic assumptions	(1,151)	(2,455)	(6)	(8)	380	140	0	10
- Arising from changes in financial assumptions	(11,098)	10,748	(63)	24	(140,560)	28,650	(4,000)	2,050
- Experience gains/(losses)	0	3,665	0	(41)	25,410	19,830	(380)	670
Past service cost	0	0	0	0	(20)	0	0	0
Gains/(losses) on curtailment	(181)	(91)	0	0	0	0	0	
Benefits Paid/Transfers	2,062	1,852	65	65	27,950	31,070	(50)	(160)
Balance at End of Year	(108,282)	(104,245)	(1,097)	(1,103)	(988,130)	(974,080)	(22,360)	(25,320)

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

	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	Re-stated		Re-stated	
	£000s	£000s	£000s	£000s
Balance at Start of Year	(2,895)	(3,518)	(34)	(36)
Current service cost	(102)	(124)	0	0
Interest cost	(146)	(155)	(2)	(1)
Contributions by Scheme Participants	(38)	(36)	0	0
Remeasurement gains and (losses):				
- Arising from changes in demographic assumptions	(37)	(80)	0	0
- Arising from changes in financial assumptions	(361)	349	(2)	1
- Experience gains/(losses)	0	120	0	(2)
Past service cost	0	0	0	0
Gains/(losses) on curtailment	(6)	(3)	0	
Benefits Paid/Transfers	67	60	2	2
Balance at End of Year	(3,518)	(3,387)	(36)	(36)

The liabilities under both the LGPS and Police Pension Schemes have reduced during 2013/14. The Principal reason for this reduction is in relation to re-measurement gains and losses.

Notes to the Accounts

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

	Group LGPS		Group LGPS	
	Funded Benefits		Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	Re-stated £000s	£000s	Re-stated £000s	£000s
Balance at Start of Year	68,223	79,609	0	0
Interest Income	3,531	3,550	0	0
Remeasurements - Gains and (Losses)	5,920	2,778	0	0
Administration Expenses	(72)	(88)	0	0
Employer Contributions	2,909	2,888	65	65
Contributions by Scheme Participants	1,160	1,124	0	0
Benefits Paid	(2,062)	(1,852)	(65)	(65)
Balance at End of Year	79,609	88,009	0	0

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

	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	Re-stated £000s	£000s	Re-stated £000s	£000s
Balance at Start of Year	2,217	2,588	0	0
Interest Income	115	115	0	0
Remeasurements - Gains and (Losses)	192	90	0	0
Administration Expenses	(2)	(3)	0	0
Employer Contributions	95	94	2	2
Contributions by Scheme Participants	38	36	0	0
Benefits Paid	(67)	(60)	(2)	(2)
Balance at End of Year	2,588	2,860	0	0

Notes to the Accounts

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 2012/13		PCC 2013/14		Group 2012/13		Group 2013/14	
		£000s	%	£000s	%	£000s	%	£000s	%
Equities									
UK Quoted	Y	393	15.19%	400	13.99%	12,100	15.20%	12,323	14.00%
UK Unquoted	N	0	0.00%	3	0.10%	0	0.00%	88	0.10%
Global Quoted	Y	318	12.29%	464	16.22%	9,792	12.30%	14,257	16.20%
UK Equity Pooled	N	310	11.98%	346	12.10%	9,553	12.00%	10,649	12.10%
Overseas Equity Pooled	N	466	18.01%	440	15.38%	14,330	18.00%	13,553	15.40%
Bonds									
UK Corporate Bonds	Y	197	7.61%	197	6.89%	6,050	7.60%	6,073	6.90%
Overseas Corporate Bonds	Y	8	0.31%	11	0.38%	239	0.30%	352	0.40%
UK Corporate Bonds Pooled	N	204	7.88%	112	3.92%	6,289	7.90%	3,432	3.90%
UK Government Indexed Pooled	N	409	15.80%	447	15.63%	12,578	15.80%	13,729	15.60%
Property									
UK	Y	145	5.60%	197	6.89%	4,458	5.60%	6,073	6.90%
Property Funds	N	16	0.62%	6	0.21%	478	0.60%	176	0.20%
Alternatives									
Hedge Funds	N	36	1.39%	6	0.21%	1,115	1.40%	176	0.20%
Private Equity Funds	N	44	1.70%	46	1.61%	1,353	1.70%	1,408	1.60%
Infrastructure Funds	N	0	0.00%	17	0.59%	0	0.00%	528	0.60%
Cash									
Cash Instruments	Y	8	0.31%	3	0.10%	239	0.30%	88	0.10%
Cash Accounts	Y	21	0.81%	154	5.38%	637	0.80%	4,752	5.40%
Net Current Assets	N	13	0.50%	11	0.38%	398	0.50%	352	0.40%
		2,588	100.00%	2,860	100.00%	79,609	100.00%	88,009	100.00%

15.c Basis for estimating assets and liabilities

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

Notes to the Accounts

The principal assumptions used by the actuary have been:

	LGPS		Police Scheme	
	2012/13	2013/14	2012/13	2013/14
Long-term Expected Rate of Return on Assets in the Scheme:				
- Equity Investments	7.00%	7.00%	N/A	N/A
- Government Bonds	2.80%	3.40%	N/A	N/A
- Other Bonds	3.90%	4.30%	N/A	N/A
- Property	5.70%	6.20%	N/A	N/A
- Cash / Liquidity	0.50%	0.50%	N/A	N/A
- Other	7.00%	7.00%	N/A	N/A
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.2	23.0	23.4	23.4
- Women	24.9	25.5	25.8	25.9
Longevity at 65 for future pensioners:				
- Men	24.1	25.7	25.7	25.6
- Women	26.9	28.7	27.9	28.0
Rate of Inflation (CPI)	2.40%	2.40%	2.50%	2.50%
Rate of increase in salaries	4.15%	3.90%	4.75%	4.50%
Rate of increase in pensions	2.40%	2.40%	2.50%	2.50%
Rate for discounting scheme liabilities	4.40%	4.60%	4.30%	4.40%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	N/A	N/A

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. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. 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

	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)	61	2	3	1,878	73	88
Rate of Inflation (increase by 0.1%)	79	4	4	2,429	114	113
Rate of Increase in Salaries (increase by 0.1%)	23	0	1	719	0	34
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(77)	(4)	(3)	(2,375)	(109)	(97)

Sensitivity Analysis – Police Pension Schemes

Impact on Defined Benefit Obligation	Group	
	Police Pensions Old Scheme £000s	Police Pensions 2006 Scheme £000s
Assumption Sensitivity		
Longevity (1 Year increase in life expectancy)	17,000	400
Rate of Increase in Pensions (increase by 0.5%)	83,000	2,300
Rate of Increase in Salaries (increase by 0.5%)	19,000	2,600
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(102,000)	(4,800)

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

15.d Impact on the Commissioner's Cash Flows

The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The Commissioner has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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 will cease to be a final salary pension scheme from 31 March 2014 and the Police Pension Scheme will cease 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 2015 are £2,367k (PCC single entity £77k). Expected contributions for the Police Pension Scheme in the year to 31 March 2015 are £10,070k.

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

	2012/13 Years	2013/14 Years
Pensions Scheme		
Local Government Pension Scheme	19	23
Police Pension -Old Scheme	21	21
Police Pension -2006 Scheme	37	37

16 Private Finance Initiative (PFI)

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

Prior to 2009/10 the monthly unitary charge payment was treated as revenue expenditure and appeared within the service expenditure element of the Comprehensive Income and Expenditure Statement. From 2009/10 in accordance with changes introduced by SORP 2009, the accounting treatment changed significantly. The PFI asset is now recognised on the Commissioner's balance sheet along with a corresponding PFI finance lease liability which recognises the Commissioner's outstanding liability to pay for the asset. The PFI asset is depreciated and revalued in the same way as any other asset in accordance with accounting policies. The unitary charge payment is now split into three components in the accounts as follows:

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

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



West TPA HQ – Hall Brow, Workington

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

Notes to the Accounts

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

16.a Movement on Fixed Assets

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

16.b PFI Finance Lease Liability

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

	PCC/Group As at 31 March	
	2013 £000s	2014 £000s
Balance at the start of the year	(5,449)	(5,382)
Repayments made during year	67	76
Balance at the end of the year	(5,382)	(5,306)
Split of liability		
Current Liability	(76)	(86)
Long Term Liability	(5,306)	(5,220)
	(5,382)	(5,306)

16.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.

	PCC/Group			Total £000s
	Repayment of Liability £000s	Interest Payments £000s	Service Costs £000s	
Repayable within one year	86	658	562	1,306
Between two and five years	475	2,501	2,398	5,374
Between six and ten years	1,044	2,676	3,437	7,157
Between eleven and fifteen years	3,701	1,008	1,859	6,568
	5,306	6,843	8,256	20,405

The repayment of liability figures include a sum of £2,911k between 11 and 15 years which recognises that there is reasonable certainty that the Commissioner will exercise his right to purchase the PFI building at the end of the PFI contract period. See critical judgement note 1 (page 28) for further explanation.

17 Leases

17.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

17.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 Durranshill 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 £30 p.a. The equipment includes livescan fingerprint machines and photocopiers.

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

	PCC/Group As at 31 March	
	2013 £000s	2014 £000s
Not later than one year	113	189
Later than one year and not later than five years	181	139
Later than five years.	3,409	3,379
	3,703	3,707

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

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Minimum Lease Payments		
- Land and Buildings	177	154
- Equipment	72	66
	249	220



North TPA HQ – Durranshill, 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.

18 Usable Reserves

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

In addition to the Commissioner Police Fund, which the Commissioner aims to maintain at 5% 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 established earmarked reserves and has created additional reserves at the end of 2013/14. Earmarked reserves exist both to provide a contingency to cushion the effect of unexpected events and to provide a mechanism to build up funds to meet expected liabilities. The Commissioner's earmarked reserves have been formulated in conjunction with the CIPFA guidance on Reserves and Provisions. Details of the earmarked reserves in existence and a brief description as to their purpose is included in note 5 to the accounts (see pages 34-35).

The movement in the Commissioner's Group and Single Entity Usable Reserves is detailed in the Movement in Reserves Statement (see pages 20 and 21), and the disclosure notes relating to Adjustments between the Accounting Basis and Funding Basis under regulations (Note 4) and Transfer to/from Earmarked reserves (Note 5).

In the statement of accounts for 2012/13, in addition to the usable reserves described above, the group accounts contained a number of negative usable reserves in respect of the Chief Constable. These reserves, which would ordinarily be classed as unusable reserves had been treated as usable reserves as the Chief Constable did not at the time have the statutory override powers in respect of certain transactions. The powers for the Chief Constable to transact the statutory override were granted in the Anti-social Behaviour Crime and Disorder Act 2014 and the reserves for the Chief Constable are now treated in the same way to that of the Commissioner. In order to facilitate comparisons with the figures for the previous year, the notes in respect of the unusable reserves (note 19) include those figures previously reported as usable in the 2012/13 statement of accounts.

19 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. The balance of unusable reserves as shown on the Balance Sheet (page 38) is shown in the table below.

19.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 2013/14 and the previous year are set out in the table below:-

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Balance at Start of Year	7,755	7,095
Reclassification Adjustment	141	0
Write out of Revalued Amount on Impairment	0	0
Upward revaluation of assets	4	2,173
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(607)	(289)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(603)	1,884
Difference between fair value depreciation and historical cost depreciation	0	1
Accumulated gains on assets sold or scrapped	(198)	0
Amount written off to Capital Adjustment Account	(198)	1
Balance at End of Year	7,095	8,980

19.b Capital Adjustment Account

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

The movements on the account during 2013/14 and the previous year are set out in the table below:-

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Balance at Start of Year	41,875	36,460
Reclassification Adjustment	(141)	0
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	(4,692)	(4,395)
Revaluation gains/(losses) on Property, Plant and Equipment	(2,993)	500
Amortisation of Intangible assets	(703)	(637)
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	(1,204)	(416)
	(9,592)	(4,948)
Adjusting amounts written out of the Revaluation Reserve	198	(1)
Net written out amount of the cost of non-current assets consumed in the year	(9,394)	(4,949)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	139	600
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	510	739
Application of grants to capital financing from the Capital Grants Unapplied Account	122	49
Statutory provision for the financing of capital investment charged against the General Fund	377	383
Capital expenditure charged against the Police Fund	2,972	1,873
	4,120	3,644
Balance at End of Year	36,460	35,155

19.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 2013/14 and the previous year are set out in the table below:

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Balance at Start of Year	255	447
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	192	(74)
Balance at End of Year	447	373

19.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.

	PCC 2012/13 £000s	PCC 2013/14 £000s	Group 2012/13 £000s	Group 2013/14 £000s
Balance 31 March 2013 per 2012/13 Statement of Accounts (Unusable reserves)	(30)	(25)	(30)	(25)
Adjustment re reclassification of Chief Constable's reserves as outlined in note 18 (page 61)	0	0	(3,711)	(3,645)
Balance at the start of the year	(30)	(25)	(3,741)	(3,670)
Settlement or cancellation of accrual made at the end of the preceeding year	30	25	3,741	25
Amounts accrued at the end of the current year	(25)	(26)	(3,670)	(3,362)
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	5	(1)	71	308
Balance at End of Year	(25)	(26)	(3,670)	(3,362)

19.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.

	PCC		Group		Group	
	LGPS Pensions		LGPS Pensions		Police Pensions	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	Re-stated £000s	£000s	Re-stated £000s	£000s	Re-stated £000s	£000s
Balance 31 March 2013 per 2012/13 Statement of Accounts (unusable Reserves)	(712)	(968)	(712)	(968)	0	0
Adjustment re reclassification of Chief Constable's reserves to usable as outlined in note 18 (page 62)	0	0	(21,190)	(28,802)	(854,730)	(1,010,490)
Adjustment re Prior Period Adjustment as outlined in note 34 (page 86-88)	0	2	0	0	0	0
Balance at the start of the year	(712)	(966)	(21,902)	(29,770)	(854,730)	(1,010,490)
Remeasurement of the net defined pension benefit liability/asset	(210)	475	(6,470)	14,623	(119,150)	51,350
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	(141)	(168)	(4,372)	(5,145)	(59,570)	(65,890)
Employer's pension contributions and direct payments to pensioners payable	97	96	2,974	2,953	22,960	25,630
Balance at End of Year	(966)	(563)	(29,770)	(17,339)	(1,010,490)	(999,400)

20 Comprehensive Income and Expenditure Statement

This account 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.

20.a Comprehensive Income and Expenditure Statement Categories

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

Police Services, this includes the following activities:

- Local Policing – neighbourhood policing, incident management, local investigation, community liaison, local command team and support overheads.
- Dealing with the Public – local call centre/front desk, central communications unit.
- Criminal Justice Arrangements – custody/prisoner handling, criminal justice arrangements, Police National Computer, civil disclosure/criminal records bureau, coroner assistance, fixed penalty scheme/central ticket office.
- Roads Policing – traffic units, vehicle recovery, road safety partnership
- Specialist Operations – central operations command team and support overheads, underwater search/marine support, dogs sections, level 1 advanced public order, firearms unit, civil contingencies.
- Intelligence – central intelligence command team and support overheads, intelligence/threat assessments, covert policing.
- Specialist Investigation – crime support command team and support overheads, major investigations unit, economic crime, serious and organised crime unit, public protection.
- Investigative Support – scenes of crime officers, external forensic costs, fingerprint/DNA bureau, photographic image recovery, other forensic services.
- National Policing – secondments (out of force), counter terrorism/special branch, [ACPO](#) projects/initiatives.

Corporate and Democratic Core Costs:

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

Non Distributed Costs:

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

Notes to the Accounts

20.b Subjective Analysis of Income and Expenditure - Group

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

	Notes	Group 2012/13 Gross Expenditure Re-stated £000s	Group 2012/13 Gross Income Re-stated £000s	Group 2012/13 Net Expenditure Re-stated £000s	Group 2013/14 Gross Expenditure £000s	Group 2013/14 Gross Income £000s	Group 2013/14 Net Expenditure £000s
Police Pay & Allowances		36,222	0	36,222	31,780	0	31,780
PCSO Pay & Allowances		2,725	0	2,725	2,570	0	2,570
Police Staff Pay & Allowances		21,003	0	21,003	21,149	0	21,149
Other Employee Costs		2,869	0	2,869	2,449	0	2,449
Contribution to Police Pension Fund Account		12,058	0	12,058	14,758	0	14,758
Police Pensions - IAS19 Current Service Costs		17,790	0	17,790	22,500	0	22,500
Total Employee Costs		92,667	0	92,667	95,206	0	95,206
Premises		3,821	0	3,821	3,962	0	3,962
Transport		2,684	0	2,684	2,611	0	2,611
Supplies & services		9,196	0	9,196	9,909	0	9,909
External Interest		680	0	680	669	0	669
Agency & Contract Services		1,220	0	1,220	1,280	0	1,280
Support Services		135	0	135	161	0	161
Pension Interest Costs		46,331	(3,531)	42,800	48,187	(3,550)	44,637
Non Current Asset Charges		8,388	0	8,388	4,532	0	4,532
Gross Operating Expenditure		165,122	(3,531)	161,591	166,517	(3,550)	162,967
Income from Fees & Charges		0	(3,624)	(3,624)	0	(4,013)	(4,013)
Income from Grant & Contributions - Central Govt.	29	0	(3,671)	(3,671)	0	(1,053)	(1,053)
Income from Grant & Contributions - Other	29	0	(267)	(267)	0	(322)	(322)
Interest & Investment Income		0	(104)	(104)	0	(148)	(148)
Non Distributed Costs		201	0	201	91	0	91
Gain of Loss on Sale of Non Current Assets	6e	0	(173)	(173)	0	(80)	(80)
PFI Grant	29	0	(688)	(688)	0	(688)	(688)
Pensions Top Up grant (Home Office)	29	0	(12,058)	(12,058)	0	(14,758)	(14,758)
Net Operating Expenditure		165,323	(24,116)	141,207	166,608	(24,612)	141,996
Minimum Revenue Provision	23	377	0	377	383		383
Pensions Adjustment		(38,008)	0	(38,008)	(42,452)		(42,452)
Capital Financing Adjustment		(8,250)	0	(8,250)	(4,490)		(4,490)
Revenue Contribution to Capital		2,972	0	2,972	1,873		1,873
Transfer to/(from) Earmarked Reserves (Revenue)	5	3,240	0	3,240	4,090		4,090
Transfer to/(from) Earmarked Reserves (Capital)	5	(600)	0	(600)	2,010		2,010
Transfer to Capital Grant Unapplied		1,059	0	1,059	889		889
Transfers to/(from) Collection Fund Adjustment A/c	30	192	0	192	(74)		(74)
Transfers to/(from) Accumulated Absences A/c	19d	71	0	71	308		308
Income from Council Tax	30	0	(35,782)	(35,782)		(32,867)	(32,867)
General Government Grants							
- Home Office Police Grant	29	0	(30,545)	(30,545)		(31,891)	(31,891)
- Home Office Capital Grant & Other Capital Grants	29	0	(1,059)	(1,059)		(889)	(889)
- Revenue Support grant	29	0	(663)	(663)		0	0
- Council Tax Grants (Freeze & Support)	29	0	(858)	(858)	0	(4,944)	(4,944)
DCLG Formula Funding	29	0	(33,337)	(33,337)		(33,939)	(33,939)
Total		126,376	(126,360)	16	129,145	(129,142)	3
(Surplus)/Deficit for the Year				16			3
Police Fund Balance Brought Forward				(5,149)			(5,149)
Capital Receipt Transferred to Police Fund				(16)			(3)
Police Fund Balance Carried Forward				(5,149)			(5,149)

Notes to the Accounts

20.c Segmental Income and Expenditure - Group

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

The figures for 2013/14 are as follows:

Section/Department	Employee Expenses	Expenditure Other Operating Expenses	Total	Fees, Charges & Other	Income Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner							
- Office of the PCC	549	343	892	(2)	0	(2)	890
- PCC Other (including Transition)	7	44	51	0	0	0	51
- PCC Commissioned Services	0	494	494	0	(458)	(458)	36
Cumbria Constabulary							
- Territorial Policing Command	51,109	7,433	58,542	(434)	(26)	(460)	58,082
- Crime Command	16,554	2,936	19,490	(253)	0	(253)	19,237
- Corporate Support	6,779	10,321	17,100	(395)	(269)	(664)	16,436
- Corporate Improvement	607	114	721	0	0	0	721
- Professional Standards	1,016	40	1,056	(22)	0	(22)	1,034
- Legal Services	320	394	714	(81)	0	(81)	633
Total	76,941	22,119	99,060	(1,187)	(753)	(1,940)	97,120

The comparative information for 2012/13 is as follows:

Section/Department	Employee Expenses	Expenditure Other Operating Expenses	Total	Fees, Charges & Other	Income Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner							
- Office of the PCC	442	496	938	(4)	(83)	(87)	851
- PCC Other (including Transition)	0	0	0	0	0	0	0
- PCC Commissioned Services	0	0	0	0	0	0	0
Cumbria Constabulary							
- Territorial Policing Command	53,075	8,054	61,129	(1,317)	(10)	(1,327)	59,802
- Crime Command	17,757	2,137	19,894	(206)	0	(206)	19,688
- Corporate Support	6,975	10,123	17,098	(216)	(9)	(225)	16,873
- Corporate Improvement	927	137	1,064	(3)	0	(3)	1,061
- Professional Standards	1,006	37	1,043	(21)	0	(21)	1,022
- Legal Services	343	254	597	(92)	0	(92)	505
Total	80,525	21,238	101,763	(1,859)	(102)	(1,961)	99,802

Notes to the Accounts

20.d Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement – Group

	CC Restated 2012/13 £000s	CC 2013/14 £000s
Net Expenditure in Service Analysis (above)	99,802	97,120
Add services not included in main analysis	765	3,488
Add technical accounting adjustments (not reported in management accounts)	36,067	39,152
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(37,937)	(42,144)
Net Cost of Services in Comprehensive Income and Expenditure Statement	98,697	97,616

20.e Reconciliation to Subjective Analysis - Group

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

The figures for 2013/14 are as follows:

	Group Service Analysis £000s	Group Services not in Analysis £000s	Group Technical Adjustments £000s	Group Not included in CI&ES £000s	Group Net Cost of Services £000s	Group Corporate Amounts £000s	Group Total £000s
Fees, charges & other service income	(1,187)	(2,815)	0	0	(4,002)	(10)	(4,012)
Interest and investment income	0	0	0	0	0	(148)	(148)
Income from council tax	0	0	0	0	0	(32,866)	(32,866)
Government grants and contributions	(753)	(622)	0	0	(1,375)	(87,109)	(88,484)
Total Income	(1,940)	(3,437)	0	0	(5,377)	(120,133)	(125,510)
Employee expenses	76,941	6,091	39,652	(42,144)	80,540	44,637	125,177
Other service expenses	22,119	834	0	0	22,953	14,757	37,710
Depreciation, amortisation and impairment	0	0	(500)	0	(500)	0	(500)
Interest Payments	0	0	0	0	0	669	669
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(80)	(80)
Total operating expenses	99,060	6,925	39,152	(42,144)	102,993	59,983	162,976
(Surplus) or deficit on the provision of services	97,120	3,488	39,152	(42,144)	97,616	(60,150)	37,466

The comparative information for 2012/13 is as follows:

	Group Service Analysis £000s	Group Services not in Analysis £000s	Group Technical Adjustments £000s	Group Not included in CI&ES £000s	Group Net Cost of Services £000s	Group Corporate Amounts £000s	Group Total £000s
Fees, charges & other service income	(1,859)	(1,758)	0	0	(3,617)	(7)	(3,624)
Interest and investment income	0	0	0	0	0	(104)	(104)
Income from council tax	0	0	0	0	0	(35,782)	(35,782)
Government grants and contributions	(102)	(3,837)	0	0	(3,939)	(79,207)	(83,146)
Total Income	(1,961)	(5,595)	0	0	(7,556)	(115,100)	(122,656)
Employee expenses	80,525	5,146	33,074	(37,937)	80,808	42,800	123,608
Other service expenses	21,238	1,214	0	0	22,452	12,058	34,510
Depreciation, amortisation and impairment	0	0	2,993	0	2,993	0	2,993
Interest Payments	0	0	0	0	0	680	680
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(173)	(173)
Total operating expenses	101,763	6,360	36,067	(37,937)	106,253	55,365	161,618
(Surplus) or deficit on the provision of services	99,802	765	36,067	(37,937)	98,697	(59,735)	38,962

Notes to the Accounts

20.f Subjective Analysis of Income and Expenditure - PCC

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

		PCC 2012/13 Gross Expenditure Re-stated £000s	PCC 2012/13 Gross Income Re-stated £000s	PCC 2012/13 Net Expenditure Re-stated £000s	PCC 2013/14 Gross Expenditure £000s	PCC 2013/14 Gross Income £000s	PCC 2013/14 Net Expenditure £000s
	Notes						
Police Staff Pay & Allowances		6,956	(6,376)	580	7,165	(6,444)	721
Other Employee Costs		449	(405)	44	820	(748)	72
Contribution to Police Pension Fund Account		12,058	0	12,058	14,758	0	14,758
Total Employee Costs		19,463	(6,781)	12,682	22,743	(7,192)	15,551
Premises		3,761	(4,995)	(1,234)	3,878	(5,130)	(1,252)
Transport		16	(970)	(954)	60	(919)	(859)
Supplies & services		519	(3,063)	(2,544)	1,203	(2,749)	(1,546)
External Interest		680	0	680	669	0	669
Agency & Contract Services		218	0	218	233	0	233
Support Services		1	0	1	1	0	1
Pension Interest Costs		149	(115)	34	156	(115)	41
Non Current Asset Charges		8,388	0	8,388	4,532	0	4,532
Funding from PCC to reimburse expenditure by CC		106,618		106,618	103,613	0	103,613
Gross Operating Expenditure		139,813	(15,924)	123,889	137,088	(16,105)	120,983
Income from Fees & Charges		0	(3,624)	(3,624)	0	(4,013)	(4,013)
Income from Grant & Contributions - Central Govt.	29	0	(3,671)	(3,671)	0	(1,053)	(1,053)
Income from Grant & Contributions - Other	29	0	(267)	(267)	0	(322)	(322)
Interest & Investment Income		0	(104)	(104)	0	(148)	(148)
Non Distributed Costs		6	0	6	3	0	3
Gain of Loss on Sale of Non Current Assets	6e	0	(173)	(173)	0	(80)	(80)
PFI Grant	29	0	(688)	(688)	0	(688)	(688)
Pensions Top Up grant (Home Office)	29	0	(12,058)	(12,058)	0	(14,758)	(14,758)
Net Operating Expenditure		139,819	(36,509)	103,310	137,091	(37,167)	99,924
Minimum Revenue Provision	23	377	0	377	383		383
Pensions Adjustment		(45)	0	(45)	(71)		(71)
Capital Financing Adjustment		(8,250)	0	(8,250)	(4,490)		(4,490)
Revenue Contribution to Capital		2,972	0	2,972	1,873		1,873
Transfer to/(from) Earmarked Reserves (Revenue)	5	3,240	0	3,240	4,090		4,090
Transfer to/(from) Earmarked Reserves (Capital)	5	(600)	0	(600)	2,010		2,010
Transfer to Capital Grant Unapplied		1,059	0	1,059	889		889
Transfers to/(from) Collection Fund Adjustment A/c	30	192	0	192	(74)		(74)
Transfers to/(from) Accumulated Absences A/c	19d	5	0	5	(1)		(1)
Income from Council Tax	30	0	(35,782)	(35,782)		(32,867)	(32,867)
General Government Grants							
- Home Office Police Grant	29	0	(30,545)	(30,545)		(31,891)	(31,891)
- Home Office Capital Grant & Other Capital Grants	29	0	(1,059)	(1,059)		(889)	(889)
- Revenue Support grant	29	0	(663)	(663)		0	0
- Council Tax Grants (Freeze & Support)	29	0	(858)	(858)	0	(4,944)	(4,944)
DCLG Formula Funding	29	0	(33,337)	(33,337)		(33,939)	(33,939)
Total		138,769	(138,753)	16	141,700	(141,697)	3
(Surplus)/Deficit for the Year				16			3
Police Fund Balance Brought Forward				(5,149)			(5,149)
Capital Receipt Transferred to Police Fund				(16)			(3)
Police Fund Balance Carried Forward				(5,149)			(5,149)

Notes to the Accounts

20.g Segmental Income and Expenditure - PCC

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

Section/Department	Employee Expenses	Expenditure Other Operating Expenses	Funding provided by PCC to CC	Total	Income Fees, Charges & Other Service	Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner								
- Office of the PCC	549	343	0	892	(2)	0	(2)	890
- PCC Other (including Transition)	7	238	103,613	103,858	(4,001)	(917)	(4,918)	98,940
- PCC Commissioned Services	0	494	0	494	0	(458)	(458)	36
Cumbria Constabulary								
- Corporate Support	203	531	0	734	0	0	0	734
- Legal Services	5	3	0	8	0	0	0	8
Total	764	1,609	103,613	105,986	(4,003)	(1,375)	(5,378)	100,608

The comparative information for 2012/13 is as follows:

Section/Department	Employee Expenses	Expenditure Other Operating Expenses	Funding provided by PCC to CC	Total	Income Fees, Charges & Other Service	Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner								
- Office of the PCC	442	496	0	938	(4)	(83)	(87)	851
- PCC Other (including Transition)	0	160	106,618	106,778	(3,613)	(3,856)	(7,469)	99,309
Cumbria Constabulary								
- Corporate Support	177	220	0	397	0	0	0	397
- Legal Services	4	6	0	10	0	0	0	10
Total	623	882	106,618	108,123	(3,617)	(3,939)	(7,556)	100,567

20.h Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement – PCC

	PCC Restated 2012/13 £000s	PCC 2013/14 £000s
Net Expenditure in Service Analysis (above)	100,567	100,608
Add technical accounting adjustments (not reported in management accounts)	3,040	(395)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(41)	(72)
Net Cost of Services in Comprehensive Income and Expenditure Statement	103,566	100,141

20.i Reconciliation to Subjective Analysis - PCC

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

The figures for 2013/14 are as follows:

	PCC Service Analysis	PCC Technical Adjustments	PCC Not included in CI&ES	PCC Net Cost of Services	PCC Corporate Amounts	PCC Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(4,003)	0	0	(4,003)	(10)	(4,013)
Interest and investment income	0	0	0	0	(148)	(148)
Income from council tax	0	0	0	0	(32,866)	(32,866)
Government grants and contributions	(1,375)	0	0	(1,375)	(87,109)	(88,484)
Total Income	(5,378)	0	0	(5,378)	(120,133)	(125,511)
Employee expenses	764	104	(72)	796	40	836
Other service expenses	1,609	0	0	1,609	14,758	16,367
Depreciation, amortisation and impairment	0	(499)	0	(499)	0	(499)
Interest Payments	0	0	0	0	669	669
Funding provided by PCC to CC	103,613	0	0	103,613	0	103,613
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(80)	(80)
Total operating expenses	105,986	(395)	(72)	105,519	15,387	120,906
(Surplus) or deficit on the provision of services	100,608	(395)	(72)	100,141	(104,746)	(4,605)

The comparative information for 2012/13 is as follows:

	PCC Service Analysis	PCC Technical Adjustments	PCC Not included in CI&ES	PCC Net Cost of Services	PCC Corporate Amounts	PCC Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(3,617)	0	0	(3,617)	(7)	(3,624)
Interest and investment income	0	0	0	0	(104)	(104)
Income from council tax	0	0	0	0	(35,782)	(35,782)
Government grants and contributions	(3,939)	0	0	(3,939)	(79,207)	(83,146)
Total Income	(7,556)	0	0	(7,556)	(115,100)	(122,656)
Employee expenses	623	47	(41)	629	33	662
Other service expenses	882	0	0	882	12,058	12,940
Depreciation, amortisation and impairment	0	2,993	0	2,993	0	2,993
Interest Payments	0	0	0	0	680	680
Funding provided by PCC to CC	106,618	0	0	106,618	0	106,618
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(173)	(173)
Total operating expenses	108,123	3,040	(41)	111,122	12,598	123,720
(Surplus) or deficit on the provision of services	100,567	3,040	(41)	103,566	(102,502)	1,064

21 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.

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Basic Allowance	106	9
Special Responsibility Allowance	28	0
Telephone Allowance	1	0
Travel and Subsistence	30	7
National Insurance	7	0
	172	16

From November 2012 the former Police Authority was abolished under the Police Reform and Social Responsibility Act 2011. The above table includes for 2012/13 the part year effect of 17 Police Authority members for the first part of the year (up to November 2012) and then 4 appointed members of the Joint Audit and Standards Committee from that point and throughout 2013/14.

A full disclosure of allowances and expenses paid to individual members can be found on the Police and Crime Commissioners website at:

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

22 Audit Fees

In 2013/14 the Commissioner and Chief Constable incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

	Group 2012/13 £000s	Group 2013/14 £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.	45	40
Rebate from Audit Commission in year.	(3)	(6)
	42	34
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.	20	20
Rebate from Audit Commission in year.	(1)	(2)
	19	18
Total External Audit Fees for Year	61	52

23 Minimum Revenue Provision

Regulations 27 and 28 of the Capital Financing and Accounting Regulations 2003 require Authorities 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 an authority's [Capital Financing Requirement](#).

In line with the Capital Finance and Accounting regulations a Statement of MRP Policy was approved in February 2012 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 2013/14 (and comparatives for 2012/13) is made up as follows:

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Minimum Revenue Provisions (MRP)		
Core MRP	310	307
PFI MRP	67	76
Total MRP for Year	377	383

24 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 2013/14 and the second provides comparatives for 2012/13.

The tables below include the costs of the temporary Chief Constable (A) who was suspended on full pay in September 2012 and remained under suspension until September 2013, at which time he returned to his substantive role as Deputy Chief Constable before retiring from service in December 2013.

A Temporary Chief Constable has been seconded from Merseyside Police to cover the role but continues to be paid by the Police and Crime Commissioner for Merseyside. Merseyside have recharged costs of this secondment amounting to £206k to the Police and Crime Commissioner for Cumbria for the period April 2013 to March 2014, these costs are included in the accounts of the Police and Crime Commissioner for Cumbria as third party related expenditure rather than as employee costs and are therefore excluded from the table below.

Notes to the Accounts

The table below gives the **PCC and** Group information for 2013/14 in £000s.

Postholder Information Post Title	Salary (including Fees & Allowances)	Expense Allowances	Benefits in Kind	Termination Pay & Compensation for Loss of Office	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions	Notes
Shown in Single Entity Statements of Police & Crime Commissioner									
Police & Crime Commissioner	65	3	6	0	0	74	7	81	
PCC Chief Finance Officer	75	0	0	0	0	75	8	83	
PCC Chief Executive	88	1	1	0	0	90	10	100	
Total PCC	228	4	7	0	0	239	25	264	
Shown in Single Entity Statements of Chief Constable									
Temp. Chief Constable	91	1	5	9	3	109	13	122	Temp Chief Constable (A) was suspended on full on full pay in September 2012 and remained under suspension until September 2013, at which time he returned to his substantive role as Deputy CC before retiring from office in December 2013.
Temp. Deputy Chief Constable (A)	108	4	3	0	2	117	26	143	Temporary Deputy Chief Constable (A) was in post as Temp DCC until 09/09/13 and then reverted to the role of Assistant Chief Constable.
Deputy Chief Constable (B)	108	7	0	0	3	118	26	144	Deputy Chief Constable (B) was in post as Assistant Chief Constable and was then appointed to the role of Deputy Chief Constable.
Chief Superintendent (A)	29	1	0	0	5	35	7	42	Chief Superintendent A retired from office w.e.f. 13/08/13
Chief Superintendent (B)	79	1	2	0	5	87	19	106	
Chief Superintendent (C)	33	1	0	0	1	35	8	43	Chief Superintendent C resigned from office w.e.f. 01/09/13
Chief Superintendent (D)	79	2	0	0	0	81	19	100	
Superintendent	73	2	1	0	3	79	18	97	
CC Chief Finance Officer	56	0	0	0	0	56	6	62	
Director of Corporate Support	77	0	0	0	0	77	8	85	
Director of Corporate Improvement	71					71	8	79	
Director of Legal Services	71	1	1	0	0	73	8	81	
Total CC	875	20	12	9	22	938	166	1,104	
Total Group	1,103	24	19	9	22	1,177	191	1,368	

Notes to the Accounts

The comparative PCC and Group figures for 2012/13 in £000s, are set out in the table below:

Postholder Information Post Title	Salary (including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind	Termination Pay & Compensation for Loss of Office	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions	Notes
Shown in Single Entity Statements of Police & Crime Commissioner										
Police & Crime Commissioner	23	0	0	2	1	0	0	26	3	29 The Police & Crime Commissioner for Cumbria took office on the 22/11/12 working full time (part year figures only). The full time equivalent salary for the role is £65k.
PCC Chief Finance Officer	74	0	0	0	0	0	0	74	8	82
PCC Chief Executive	87	0	0	2	1	0	0	90	10	100
Total PCC	184	0	0	4	2	0	0	190	21	211
Shown in Single Entity Statements of Chief Constable										
Temp. Chief Constable (A)	131	0	0	0	6	0	2	139	32	171 Temp Chief Constable (A) was suspended on the 13.9.12 and remains on full pay. Temp. Chief Constable (B) was seconded from Merseyside Police to cover the role with effect from 13.9.12, but continues to be paid by Merseyside Police & Crime Commissioner.
Temp. Deputy Chief Constable (B)	108	0	0	0	5	0	2	115	26	141 Temporary Deputy Chief Constable (B) was promoted to Temp. Deputy Chief Constable on the 12/11/12 from the role of Assistant Chief Constable.
Assistant Chief Constable	109	0	0	7	0	0	3	119	26	145 The Assistant Chief Constable was acting as Temporary Deputy Chief Constable until 12/11/12.
Chief Superintendent (A)	79	4	4	2	1	0	5	91	19	110
Chief Superintendent (B)	79	4	4	1	1	0	5	90	19	109
Chief Superintendent (C)	79	4	4	3	1	0	3	90	19	109
Chief Superintendent (D)	79	4	4	4	0	0	0	87	19	106
Superintendent	73	4	4	2	0	0	3	82	17	99
Head of Financial Services	55	1	1	0	0	0	0	56	6	62 The Head of Financial Services was appointed as Section 151 Officer on 01/11/12, figures include a full years salary details.
Director of Corporate Support	72	0	0	1	0	0	0	73	8	81 The Director of Corporate Support was appointed on the 7/11/12, figures include a full years salary details.
Director of Corporate Improvement	70	0	0	0	0	0	0	70	8	78 The Director of Corporate Improvement was appointed on the 1/11/12, figures include a full years salary details.
Director of Finance & Resources	46	0	0	0	0	101	0	147	5	152 The Director of Finance & Resources left the organisation on the 1/11/12, figures are part year but include final payments made in April 2013.
Director of Human Resources	29	0	0	0	0	127	0	156	3	159 The Director of Human Resources left the organisation on the 10/8/12, figures are part year.
Director of Legal Services	70	0	0	2	1	0	0	73	8	81
Total CC	1,079	21	22	15	228	228	23	1,388	215	1,603
Total Group	1,263	21	26	17	228	228	23	1,578	236	1,814

25 Employee Remuneration

The Code of Practice on Local Authority Accounting requires the disclosure of the number of employees and senior police officers (defined as those holding a rank **above** that of superintendent) whose remuneration, excluding pension's contributions, exceeded £50,000 in 2013/14 in bands of £5,000. This is set out in the table below:

Remuneration Band	2012/13				2013/14			
	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	2	0	0	2	3	3	0	6
£55,000 to £59,999	2	1	0	3	3	1	0	4
£60,000 to £64,999	1	0	0	1	0	2	0	2
£65,000 to £69,999	1	0	0	1	0	2	0	2
£70,000 to £74,999	4	0	0	4	4	0	0	4
£75,000 to £79,999	1	0	0	1	1	0	1	2
£80,000 to £84,999	1	0	1	2	0	0	1	1
£85,000 to £89,999	2	0	3	5	1	0	0	1
£90,000 to £94,999	0	0	0	0	0	0	0	0
£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	1	1
£110,000 to £114,999	0	0	2	2	0	0	2	2
£115,000 to £119,999	0	0	0	0	0	0	0	0
£120,000 to £124,999	0	0	0	0	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
£135,000 to £139,999	0	0	0	0	0	0	0	0
£140,000 to £144,999	0	0	1	1	0	0	0	0
£145,000 to £149,999	1	0	0	1	0	0	0	0
£150,000 to £154,999	0	0	0	0	0	0	0	0
£155,000 to £159,999	1	0	0	1	0	0	0	0
Total	16	1	7	24	12	8	5	25

In the above table the PCC column includes staff employed by the Commissioner and for whom decision making rests with the Commissioner's Chief Executive. A number of these staff provide support on a shared service basis to the Commissioner and Chief Constable and are recharged between the single entity statements. From 1 April 2014, in accordance with the stage 2 transfer process the majority of these staff transferred to the legal employment of the Chief Constable, where shared services are still provided (in respect of support functions) a similar recharge process will occur between the single entities.

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 24 for more information.

26 Exit Packages

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

Exit package cost band (including special payments)	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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	Headcount	Headcount	Headcount	Headcount	Headcount	Headcount	£000s	£000s
£0-£20,000	2	12	5	12	7	24	93	292
£20,001 - £40,000	4	3	7	6	11	9	320	245
£40,001 - £60,000	1	1	2	2	3	3	142	161
£60,001 - £80,000	1	1	0	1	1	2	62	122
£80,001 - £100,000	1	0	0	0	1	0	94	0
£100,001 - £150,000	1	0	0	0	1	0	122	0
Total	10	17	14	21	24	38	833	820

27 Termination Benefits

During 2013/14 the contracts of a number of employees were terminated incurring termination payments amounting to £671k (£1,134k in 2012/13). As this amount is significant in terms of the 2013/14 accounts the amount has been shown as a separate item on the face of the Comprehensive Income and Expenditure Statement (page 22).

This amount is made up exit packages paid in 2013/14, offset by the provision made in 2012/13 to fund some of these costs and a provision for exit packages to be paid in 2014/15 where the decision to terminate employment has been made in 2013/14.

The exit packages amounted to £820k (£833k in 2012/13). The exit packages can be further split into compensation for loss of employment £645k (£389k in 2012/13) and enhanced pension benefits £175k (£144k in 2012/13). The redundancies are as a result of the Constabulary's change programme. The Exit Packages note above (note 26) provides details of the number and total cost of exit packages per band and include those exit packages paid in 2013/14 and those agreed for individuals in 2013/14 but paid in 2014/15 for which an [accrual](#) was made in the 2013/14 accounts.

A further amount of £45k (£532k in 2012/13) has been set aside in a provision to pay termination costs as a result of decisions made in principle in 2013/14 but where there was some uncertainty over the individual staff or timing of the termination but for which a reasonable estimate can be made of amount of the probable obligation. This amount is netted down by costs charged against the provision in respect of 2012/13 decisions provided for at the year-end where the payment was actually made in 2013/14 of £194k, providing a net movement on the provision of -£149k.

28 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.

28.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.

28.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 22). Government Grants included within the Net Cost of Services are detailed in note 29 below, the extent to which these grants are outstanding at the end of the year is recorded in short-term [debtors](#) note 12.

28.c Members

The Commissioner now has 4 appointed Member's who serve on the Joint Audit and Standards Committee and 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 2013/14 financial year. The total members allowances paid in 2013/14 are shown in note 21.

28.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 2013/14 financial year.

28.e Other Public Bodies

The Commissioner's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in note 15.

The amounts received in respect of council tax income from the 6 Cumbrian District Councils are detailed in note 30.

Notes to the Accounts

29 Grant Income

The Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14.

	PCC/Group	
	2012/13 £000s	2013/14 £000s
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions - Mobile Data	122	840
Capital grants and contributions - General	937	49
DCLG Formula Funding **	33,337	33,939
Council Tax Freeze & Local Council Tax Support Support (DCLG)	858	4,944
Revenue Support Grant (DCLG) **	663	0
Home Office Police Grant *	30,545	31,891
PFI Grant	688	688
Home Office Pension Grant (Police)	12,058	14,758
TOTAL	79,208	87,109
Credited to Services		
<i>Grants and Contributions - Central Government</i>		
ACPO Special Operations (ACPO)	20	15
Council Tax Reform (DCLG)	27	0
Community Safety Grant (Home office)	0	436
Crime and Substance Misuse Prevention	56	0
Criminal Records Bureau (Home Office)	229	235
Debt Charges (Home Office)	40	0
Dedicated Security Posts (Home Office)	214	146
Innovation Fund (Home Office)		42
Mobile Data (NPIA)	154	92
Northern Chain (Home Office)	319	2
Police Community Support Officers (Home Office) *	2,470	0
Prison Liason (ACPO)	82	63
Victims Services (Ministry of Justice)		22
Others (Security Service, Home Office)	60	0
	3,671	1,053
<i>Grants and Contributions - Other</i>		
Local Partnership	173	225
Youth Offending Team (Cumbria CC)	94	97
	267	322
TOTAL	3,938	1,375

* Note the Home Office Police Community Support Officer grant has been merged into the general Home Office Police Grant from 2013/14.

** Note the Revenue Support Grant is now incorporated within the DCLG Funding Formula amount.

Notes to the Accounts

30 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 2013/14 is received as precept from the six district councils as set out below:

District	Precept Paid 2013/14 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	6,110	(210)	5,900
Barrow Borough Council	3,609	87	3,696
Carlisle City Council	6,340	(12)	6,328
Copeland Borough Council	4,044	8	4,052
Eden District Council	3,932	11	3,943
South Lakeland District Council	8,906	42	8,948
	32,941	(74)	32,867

The comparative information for 2012/13 is as follows:

District	Precept Paid 2012/13 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	6,424	97	6,521
Barrow Borough Council	4,301	41	4,342
Carlisle City Council	6,993	9	7,002
Copeland Borough Council	4,486	26	4,512
Eden District Council	4,133	18	4,151
South Lakeland District Council	9,253	1	9,254
	35,590	192	35,782

31 Contingent Liabilities

Insurance Claims

A number of claims are being pursued against the Commissioner, the majority of which will be contested. The Commissioner maintains [provisions](#) to meet the costs of uninsured liabilities and legal costs and considers that there is no need to make further provision for these claims.

Prior to 1992, the former Police Authority was insured through Municipal Mutual Insurance Ltd (MMI) as part of Cumbria County Council's wider insurance contract. In September 1992, MMI ceased underwriting operations and a scheme of arrangement was put in place to achieve a solvent run off of the company's assets in meeting future claims arising from the period where MMI provided insurance cover, in which Cumbria County Council agreed to participate.

On the 13 November 2012 the directors of MMI announced that, following a supreme court judgement against MMI relating to their liability for asbestos related claims where they were the insurance provider at the time of exposure, achievement of a solvent run off would not be possible. As a result the directors triggered MMI's Scheme of Arrangement (the Scheme), which sets out the arrangements for the administration of MMIs liabilities in the event that a solvent run off was not achieved.

The Scheme provides that following a 'trigger event' a levy may be imposed on all claims settled on behalf of Authorities since 1993 and that future claims will be settled at a reduced rate. Following an actuarial review of potential liabilities, Ernst and Young, the Scheme's administrators, have determined that an initial levy at the rate of 15% will be imposed. Based on the position at the 31st March 2013 the Commissioner's liability was calculated at £45k, for which a provision was made in the 2012/13 accounts, during 2013/14 this liability was settled with the result that the provision was fully extinguished.

An actuarial review of insurance liabilities as at 31 March 2014 has indicated that based on the latest claims information the Commissioner has not incurred any further liability in relation to historic MMI claims. However, the Commissioner will be liable for the levy of 15% from future claims attributable to him and there is the potential that the levy percentage will need to be revised, dependent on the overall level of future claims, which would further impact on the Commissioner's liability. The Commissioner maintains an insurance reserve to meet unknown insurance liabilities which, will be used, in part, to meet further liabilities arising from the MMI Scheme.

Redundancy Costs

In response to future reductions in government funding it will be necessary to further reduce the number of police staff. It is anticipated that the reduction will be primarily achieved through a combination of voluntary and compulsory redundancies. Redundancy costs arising from decisions made up to 31 March 2014 have been recognised in the 2013/14 Comprehensive Income and Expenditure Statement, however a number of reviews are currently ongoing which could give rise to further redundancy costs, although no firm decisions have been made as yet. It is anticipated that future redundancy costs will be met from the earmarked reserve set up for management of change costs the balance of which stood at £1,677k at 31 March 2014.

Injury pensions

A tribunal 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 ruling is that police injury benefits should no longer be reduced by entitlement to social security benefits. At this stage it is unclear if the decision will have a retrospective impact on police organisations or if the change will be implemented on a future claims basis only. In the absence of further guidance from the Home Office and Department for Work and Pensions, this matter has been treated as a contingent liability in the 2013/14 statement of accounts.

32 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below.

	PCC/Group	
	2012/13	2013/14
	£000s	£000s
Technology Schemes		
Command and Control	20	45
Communications Centre ICT Upgrade	0	59
Computer Hardware & Infrastructure	703	994
CycComms (NW Regional Intelligence System)	0	36
Enhanced Video Conferencing	146	0
Executive Platform	5	44
Finance & Business Systems Upgrade	103	131
Holmes II	9	0
ICCS - Integrated Command & Control System	81	0
ICT Delivery	85	26
Information Security	20	23
Mobile Working	122	49
Pentip (Fixed Penalty System)	0	36
Police National Database	8	28
Scanning & Retrieval	0	4
WiFi	0	49
	1,302	1,524
Vehicles Replacement Scheme	988	636
Building Schemes		
Allerdale Rural Deployment Centre	672	1
Fire Behavioural & Public Order Training Facility	4	1
Headquarters - Communications Centre Refurbishment	0	303
Headquarters - Central Services Refurbishment	1	0
Headquarters - Roof Repair/Replacement		28
Ambleside Police Station Alterations	18	0
South Estate - Kendal	136	50
South Estate - Barrow	430	590
Whitehaven Interview Suites		35
Miscellaneous Property Works	0	0
	1,261	1,008
Equipment Schemes		
Automatic Number Plate Recognition	27	19
CID Specialist Equipment	60	0
Promat (Custody Digital Identification)	0	39
	87	58
Intangible Assets		
ICCS - Integrated Command & Control System	117	0
Chronicle (Public Order System)	0	26
Computer Hardware & Infrastructure	61	7
Finance & Business Systems Upgrade	63	0
Mobile Working	0	0
Pentip (Fixed Penalty System)	0	48
Police National Database	0	1
WiFi	0	3
	241	85
Total Capital Expenditure	3,879	3,311

32.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:

	PCC/Group	
	2012/13	2013/14
	£000s	£000s
Opening Capital Financing Requirement	17,931	17,690
<i>Capital investment</i>		
Property, Plant and Equipment	3,638	3,226
Intangible Assets	241	85
<i>Sources of Finance</i>		
Capital receipts	(139)	(600)
Government grants and other contributions	(632)	(788)
Sums set aside from revenue:		
- Direct revenue contributions	(2,972)	(1,873)
- Minimum revenue provision	(377)	(383)
Closing Capital Financing Requirement	17,690	17,357
<i>Explanation of Movements in Year</i>		
Increase in underlying need to borrow (unsupported by government financial assistance)	(241)	(333)
Increase/(decrease) in Capital Financing Requirement	(241)	(333)

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

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011) (implementation has been deferred until 2015/16);
- IFRS 10 (amendments) Consolidated Financial Statements (May 2011);
- IFRS 11 Joint Arrangements (May 2011);
- IFRS 12 Disclosure of Interests in Other Entities (May 2011);
- IAS 27 Separate Financial Statements (as amended in May 2011);
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011) and
- IAS 1 Presentation of Financial Statements (as amended in May 2011).

In the Financial Statements for 2014/15, the effect of the change will be assessed and where necessary, the comparative figures restated.

34 Prior Period Adjustment

A prior period adjustment has been made to the Commissioner's 2012/13 published financial statements in relation to the following.

IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting after 1 January 2013. This means that the accounting statements for 2013/14 are presented on a revised basis and as a consequence the comparators for 2012/13 have been re-stated. There is no impact on the balance sheet however, the main changes are as follows:

Expected Return on Assets – Under IAS19, the expected return on assets is replaced with “Interest on Assets”. This is the interest on assets held at the start of the year and cashflows occurring during the year, calculated using the discount rate at the start of the year. The pension cost recognised in the CI&ES under IAS19 sees the interest cost and expected return on assets replaced with “net interest cost”. This is calculated as interest on pension liabilities (substantially the interest cost recognised previously) less the interest on assets. **The expected return on assets excluding amounts included in net interest on the net defined benefit liability (asset) is now part of the “Re-measurement of the net defined pension benefit liability/asset” which is a new line in CIES which also includes actuarial gains/losses.**

Asset Disclosures - IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Commissioner's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further (see note 15b, page 56).

Disclosure Presentation - In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Commissioner's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see pension notes 15, pages 49-57).

In addition to the above changes in respect of a change to the IAS19 accounting standard, a change to adjust a rounding discrepancy on the split of the Local Government Pension Scheme between the single entity statements of the Commissioner and the Chief Constable has also been made. This change has seen the Commissioner's proportion of the LGPS scheme deficit as at 31 March 2013 reduce from £968k as reported in 2012/13 to £966k and the Chief Constable's share increase from £28,802k as reported in 2012/13 to £28,804k.

The changes made impact on the core financial statements and the disclosure notes in relation to pensions (note 15, pages 49-57). Where figures in the statements and notes have been amended, the relevant column will include the word “re-stated” in the column heading.

Notes to the Accounts

A summary of the changes made to the 2012/13 pension figures is shown below:

	PCC Amount per Per 2012/13 Accounts £000s	PCC Amount Re-stated for 2012/13 £000s	PCC Change in Amount £000s	Group Amount per Per 2012/13 Accounts £000s	Group Amount Re-stated for 2012/13 £000s	Group Change in Amount £000s
Liabilities						
Benefit Obligation at Start of Period	(2,929)	(2,929)	0	(90,125)	(90,125)	0
Current Service Cost	(100)	(102)	(2)	(3,073)	(3,151)	(78)
Interest on pension Liabilities	(151)	(148)	3	(4,649)	(4,571)	78
Member Contributions	(38)	(38)	0	(1,160)	(1,160)	0
Actuarial Gains & (Losses) on Liabilities	(400)	0	400	(12,318)	0	12,318
Remeasurement Gains & (Losses):						
- Arising from changes in demographic assumptions	0	(37)	(37)	0	(1,157)	(1,157)
- Arising from changes in financial assumptions	0	(363)	(363)	0	(11,161)	(11,161)
Curtailments	(6)	(6)	0	(181)	(181)	0
Benefits/Transfers Paid	69	69	0	2,127	2,127	0
Benefit Obligation at End of Period	(3,555)	(3,554)	1	(109,379)	(109,379)	0
Assets						
Fair Value at Start of Period	2,217	2,217	0	68,223	68,223	0
Expected Return on Plan Assets	121	115	(6)	3,733	3,531	(202)
Actuarial Gains & Losses on Assets	183	192	9	5,646	5,920	274
Administration Expenses	0	(2)	(2)	0	(72)	(72)
Employer Contributions	97	97	0	2,974	2,974	0
Member Contributions	38	38	0	1,160	1,160	0
Benefits/Transfers paid	(69)	(69)	0	(2,127)	(2,127)	0
Fair Value at End of Period	2,587	2,588	1	79,609	79,609	0
(Deficit)/Surplus	(968)	(966)	2	(29,770)	(29,770)	0

A summary of the effect that the above changes have made on each of the core financial statements is shown below:

	PCC Net Exp Per 2012/13 Accounts £000s	PCC Net Exp Re-stated for 2012/13 £000s	PCC Change in Amount £000s	Group Net Exp Per 2012/13 Accounts £000s	Group Net Exp Re-stated for 2012/13 £000s	Group Change in Amount £000s
Comprehensive Income & Expenditure Statement						
Local Policing	(1,032)	(1,034)	(2)	46,253	46,276	23
Dealing with the public	1,293	1,296	3	7,426	7,444	18
Criminal justice arrangements	349	350	1	8,891	8,904	13
Road policing	(1,578)	(1,578)	0	6,166	6,170	4
Specialist operations	(258)	(258)	0	3,864	3,865	1
Intelligence	418	419	1	7,057	7,062	5
Investigations	1,624	1,622	(2)	13,279	13,285	6
Investigative support	418	419	1	2,861	2,867	6
National policing	(5,285)	(5,285)	0	222	222	0
Corporate and democratic core	991	991	0	1,265	1,267	2
Non distributed costs	6	6	0	201	201	0
Exceptional Item - Termination Costs	0	0	0	1,134	1,134	0
Funding Provided by PCC to CC	106,618	106,618	0	0	0	0
Cost of Services	103,564	103,566	2	98,619	98,697	78
Net Interest on the net defined benefit liability (asset)	30	33	3	42,676	42,800	124
Surplus/Deficit on the Provision of Services	1,059	1,064	5	38,760	38,962	202
Actuarial Gains & Losses on pensions Assets	217	210	(7)	125,822	125,620	(202)
Total Comprehensive Income & Expenditure	1,879	1,877	(2)	165,185	165,185	0

	PCC Amount per Per 2012/13 Accounts £000s	PCC Amount Re-stated for 2012/13 £000s	PCC Change in Amount £000s	Group Amount per Per 2012/13 Accounts £000s	Group Amount Re-stated for 2012/13 £000s	Group Change in Amount £000s
Balance Sheet						
Chief Constable's LGPS Pension Reserve (Usable)	0	0	0	(28,802)	(28,804)	(2)
PCC LGPS Pension Reserve (unusable)	(968)	(966)	2	(968)	(966)	2
Total Reserves	74,676	74,678	2	(968,261)	(818,905)	149,356
Cash Flow Statement						
Net (Surplus)/Deficit on the provision of Services	1,059	1,064	5	38,760	38,962	202
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(8,330)	(8,335)	(5)	(46,031)	(46,233)	(202)
Net Cash Flows from Operating Activities	(5,928)	(5,928)	0	(5,928)	(5,928)	0
Movement in Reserves Statement						
Police Fund (Usable)						
Balance 1 April 2012	5,149	5,149	0	5,149	5,149	0
Surplus or (deficit on the Provision of Services	(1,059)	(1,064)	(5)	(1,059)	(1,064)	(5)
Adjustments between accounting basis under regulations	3,699	3,704	5	3,699	3,704	5
Net increase or decrease before transfers to earmarked reserves	2,640	2,640	0	2,640	2,640	0
Transfer to Earmarked Resreves	(2,640)	(2,640)	0	(2,640)	(2,640)	0
Balance as at 31 March 2013	5,149	5,149	0	5,149	5,149	0
CC Constabulary Fund (Usable)						
Balance 1 April 2012	0	0	0	0	0	0
Surplus or (deficit on the Provision of Services	0	0	0	(37,701)	(37,898)	(197)
Other Comprehensive Income & Expenditure	0	0	0	(125,605)	(125,410)	195
Transfers to other Usable Resreves	0	0	0	163,306	163,308	2
Net increase or decrease before transfers to earmarked reserves	0	0	0	0	0	0
Balance as at 31 March 2013	0	0	0	0	0	0
CC LGPS Pension Fund (Usable)						
Balance 1 April 2012	0	0	0	(21,190)	(21,190)	0
Transfers to other Usable Resreves	0	0	0	(7,612)	(7,614)	(2)
Net increase or decrease before transfers to earmarked reserves	0	0	0	(7,612)	(7,614)	(2)
Balance as at 31 March 2013	0	0	0	(28,802)	(28,804)	(2)
PCC LGPS Pension Fund (Unusable)						
Balance 1 April 2012	(712)	(712)	0	(712)	(712)	0
Other Comprehensive Income & Expenditure	(217)	(210)	7	(217)	(210)	7
Adjustments between accounting basis under regulations	(39)	(44)	(5)	(39)	(44)	(5)
Net increase or decrease before transfers to earmarked reserves	(256)	(254)	2	(256)	(254)	2
Balance as at 31 March 2013	(968)	(966)	2	(968)	(966)	2

Police Officer Pension Fund Account

Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2013/14 financial year together with comparative information for 2012/13.

	Group 2012/13 £000s	Group 2013/14 £000s
Contributions Receivable		
Employer		
- Contributions at 24.2% of Pensionable Pay	(9,987)	(9,772)
Officers' Contributions		
- 1987 Scheme Member Contributions (see narrative for rates)	(4,325)	(4,467)
- 2006 Scheme Member Contributions (see narrative for rates)	(614)	(810)
	(14,926)	(15,049)
Transferees in from Other Schemes	(180)	(298)
Capital Equivalent charge for ill-health schemes	(231)	(469)
	(411)	(767)
Benefits Payable		
Recurrent Pensions	21,515	22,791
Commutations and Lump Sums	5,796	7,601
	27,311	30,392
Payments to and on Account of Leavers		
Refund of Contributions	0	9
Transfer out to other schemes	84	173
	84	182
Net Amount Payable for the Year	12,058	14,758
Additional Contribution from the Police & Crime Commissioner	(12,058)	(14,758)
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 2014.

	Group 2012/13 £000s	Group 2013/14 £000s
Current Assets		
Pensions Benefits paid in advance	1,906	2,018
Current Liabilities		
Amount due to the Police & Crime Commissioner	(1,906)	(2,018)
	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 2007 (SI 2007 No 1932). The Pensions Fund Accounts are administered by the Police and Crime Commissioner and have been prepared on an accruals basis.

Operation of Police Pensions Schemes

The Commissioner operates two Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the new scheme and the previous scheme has been closed to new members. Officers who are members of the old scheme are allowed by regulation to become members of the new (2006) scheme if they so wish. Members' contribution rates for 2013/14 were between 10.7% and 12% (10.1%-10.75% in 2012/13) for the new scheme and between 13.5% and 14% (12.25%-12.5% in 2012/13) for the old scheme. The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Commissioner's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 24). Detailed disclosure notes regarding the Police Pension schemes can be found in note 15 to the core financial statements (pages 49-57).

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 Commissioner'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 Commissioner and replaced with an employers' contribution, currently set at 24.2% of pensionable pay, which, along with the employee contributions and any transfer values, is paid into the pensions account. 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 as 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, 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

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 goodwill.

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.

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.

DCLG

The Department for Communities and Local Government, responsible for funding elements of the Police and Crime Commissioner's specific and external grant aid.

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.

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

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

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.

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.

Glossary of Terms

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.

Revenue Support Grant

A grant from the Department of Communities and Local Government (DCLG) towards the cost of Police and Crime Commissioner services.

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 2013/14 financial year and the financial position at the 31 March 2014. 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 2011 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 2013/14](#) (the Code) and the Service Reporting Code of Practice 2013/14 ([SERCOP](#)), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 act. [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](#).

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).

3 Cash and Cash Equivalents

Cash is represented by cash in hand, imprests (petty cash) and demand 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.

Annex A - Statement of Accounting Policies

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

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

4 Exceptional Items

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or 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.

6 Charges to Revenue for Non-Current Assets

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

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

Council Tax is not required to be raised to fund depreciation, revaluation and impairment losses or amortisations. However, an annual contribution from revenue is required towards the reduction in its 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.

Annex A - Statement of Accounting Policies

7 Employee Benefits

7.1 Employee Benefits payable during Employment

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

7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision to terminate an individual's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged (on an [accruals](#) basis) to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

8 Post Employment Benefits

8.1 General

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

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 on a head count basis. **All accounting entries for Police Officer pensions and Police Staff pensions are consolidated in the group statements.**

The liabilities of each of the pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their [fair value](#) at current prices using a discount rate (see assumptions set out in note 15c, page 56).

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

- [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.

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- 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 payment.

Remeasurements comprising:

- Return on plan assets-excluding amounts included in the net interest on the net defined pension liability (asset) – charged to the pensions reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions (demographic and financial) made at the last actuarial valuation or because the actuaries have updated their assumptions –charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Note 15 to the primary financial statements provides further information about the pension schemes.

8.2 Police Officers

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

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).

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

The funding arrangements for police officers pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a ‘pay as you go’ basis with the cost charged to the revenue account. From April 2006 onwards there is an employer’s contribution rate set by the Home Office (currently 24.2% of pensionable salary), which is charged to the Comprehensive Income and Expenditure Statement.

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 88-89). 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

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made. Any shortfall on the pension fund account is met by a contribution from the police fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office.

8.3 Police Staff

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

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

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

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

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

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

9 Events after the Balance Sheet Date

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

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

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10 Financial Instruments - Financial Liabilities

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

11 Financial Instruments - Financial Assets

Financial assets are classified into two types:

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

Loans and receivables are initially measured at [fair value](#) and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Where a receivable (i.e. debtor) has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed/invoiced amount. Investments are shown in the balance sheet at cost. Where investments are fixed term deposits, accrued interest owing at the balance sheet date is included in the Comprehensive Income and Expenditure Statement.

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 12, page 46).

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

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

12 Government Grants and Contributions

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

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

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or

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contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants 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.

13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset. Intangible assets are initially measured at cost amounts and are only revalued where the [fair value](#) of the asset can be determined by an active market. The depreciable amount of an intangible asset is amortised over its useful life (usually 5 years) to the relevant function(s) in the Comprehensive Income and Expenditure Statement.

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

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

14 Inventories

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

15 Leases

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

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leases are classified as operating leases.

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

15.1 Finance leases (as Lessee)

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

Lease payments are apportioned between:

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

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

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

15.2 Operating Leases (as Lessee)

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

15.3 Finance Leases (as Lessor)

There are currently no finance leases as a lessor.

15.4 Operating Leases (as Lessor)

Rentals 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.

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16 Treatment of Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the [CIPFA](#) Service Reporting Code of Practice 2013/14 ([SERCOP](#)). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

17 Property, Plant and Equipment

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

17.1 Recognition

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

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

17.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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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 fair value)
Assets Held for Sale	Market Value (or carrying amount if lower)
Assets Under Construction	Historic Cost

Assets included in the Balance Sheet at [fair value](#) (i.e. not valued at historic cost) are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the [Revaluation Reserve](#) to recognise unrealised gains. Gains are to be credited to the relevant function line(s) in the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a function up to the amount of the original loss, adjusted for [depreciation](#) (if material) that would have been charged if the loss had not been recognised. Valuations are carried out by Mr. C. Smith BSc MRICS, Carigiet Cowen, Telford House, Riverside, Warwick Road, Carlisle CA1 2BT.

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

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

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

17.3 Impairment

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

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

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

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

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recognised.

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

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

17.4 Depreciation

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

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

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

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

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

17.5 Disposal and Non-Current Assets Held for Sale

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

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

Assets 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

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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.

17.6 Capital Receipts

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

17.7 Component Accounting

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

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

18 Investment Property

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

Investment properties are measured initially at cost and subsequently at [fair value](#), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. 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

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[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.

19 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

There is currently one PFI scheme recognised on the Balance Sheet and this relates to the West Cumbria [TPA](#) HQ at Workington. Under the terms of [the Commissioner’s](#) funding arrangement to the [Chief Constable](#) the Commissioner controls all property and, accordingly, the PFI building is recorded on the Balance Sheet of the Commissioner. A charge is made by the Commissioner to the Chief Constable in the Comprehensive Income and Expenditure Statement for the Chief Constable’s use of the building and the services provided. Further details of the arrangement and accounting treatment can be found in note 16 (pages 58-59) of the notes to the accounts.

20 Heritage Assets

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

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21 Provisions, Contingent Liabilities and Contingent Assets

21.1 Provisions

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

[Provisions](#) are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best 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 14, page 48).

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

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

21.2 Contingent Liabilities

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

Contingent liabilities are not recognised on the Balance Sheet but disclosed in a note to the accounts.

21.3 Contingent Assets

A contingent asset arises where an event has taken place that gives rise to a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events which cannot wholly be controlled.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22 Reserves

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

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

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23 Material Estimation Techniques

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

23.1 Pension Disclosure Note:

Where the projected unit method of valuation has been applied and which is consistent with the required methodology in IAS 19. This is a valuation method in which the scheme liabilities make an allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the 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 2013/14 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 between 4.4% and 4.6% is appropriate.

23.2 Property Revaluations

All 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 police properties "depreciated replacement cost" which is consistent with proper accounting practice. The professional valuer, Mr. C. Smith of Carigiet Cowen, applied these valuation methods.

24 Collection Fund

Council Tax is collected from local taxpayers by the billing authorities (district councils). The billing authorities in England are required by statute to maintain a separate fund 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

Annex A - Statement of Accounting Policies

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.

25 Value Added Tax (VAT)

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



Police and Crime Commissioner for Cumbria Annual Governance Statement 2013-14

Annex B – Annual Governance Statement

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

The Police and Crime Commissioner for Cumbria (the Commissioner) 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 Commissioner 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 Commissioner has approved and adopted a Code of Corporate Governance 'The Code'. The Code gives clarity to the way the Commissioner governs and sets out the frameworks that are in place to support the overall arrangements for fulfilling the Commissioner's functions. This statement explains how the Commissioner has complied with The Code. It also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement (AGS) which must accompany the statement of accounts.

PURPOSE OF THE GOVERNANCE STATEMENT

The governance framework comprises the systems, processes, culture and values by which the Commissioner is directed and controlled and the activities through which the Commissioner accounts to and engages with the community. The framework enables the Commissioner to monitor the achievement of strategic Police and Crime objectives and to consider whether those objectives have led to the delivery of appropriate efficient and effective police and community safety 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 system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The findings of the review of the system of internal control are reviewed by the Audit and Standards Committee (23 June 2014) and reported to the Commissioner's Executive Board (24 June 2014).

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THE GOVERNANCE FRAMEWORK AND ITS EFFECTIVENESS

The key elements of the system and processes that comprise the Commissioner's governance arrangements are detailed in this section. The elements are based on the six 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 Commissioner 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 who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, the annual report of the Joint Audit and Standards Committee, the view of the external auditor through their annual governance statement and other review inspectorates. As part of the review process, the annual governance statement is prepared, setting out how the Commissioner has complied with The Code over the previous financial year and to the date that the statement of accounts are published.

The Commissioner's Joint Audit and Standards Committee has specific responsibility for providing an independent assurance function in respect of the arrangements for Governance including Risk Management. The work of the Joint Audit and Standards Committee over the period of the Governance Statement contributes to the review process by providing evidence in support of the effectiveness of arrangements.

Six Core Principles of Governance

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

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The Joint Audit and Standards Committee will also receive and scrutinise the report of the Chief Finance Office reviewing the effectiveness of the arrangements for internal audit. A report of the work of the Committee is produced annually, as part of that review, and submitted to the Commissioner's Executive Board and the Police and Crime Panel. The report assesses the effectiveness of the Committee against Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, and as a contribution to the effectiveness of overall governance arrangements.

Internal audit perform a range of reviews based on an agreed audit plan. The plan has regard to risks and recognises that key financial systems and other areas of wider business risk need to be reviewed on a cyclical basis to provide assurance with regard to internal controls and systems for governance. The work of internal audit contributes to the review of the effectiveness of governance by identifying the effectiveness of internal controls and providing an overall opinion annually on the control environment. The internal audit annual report for 2013-14 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.

The effectiveness of the internal audit function is assessed annually against Public Sector Internal Audit Standards and

the Internal Audit Charter, to support a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control.

The following paragraphs detail how the Commissioner has complied with the governance framework set out within The Code to meet each of the six governance principles. Each section of the statement includes a commentary on areas for development and improvement as part of the review process. These are collated into an action plan at the end of the statement. This AGS also includes an update on the implementation of planned actions from 2012-13, and how these were addressed as shown in the 2013-14 development plan.

The Governance Statement is submitted for examination by the Commissioner's Internal Auditors who will report to the Commissioner's Executive Board and the Joint Audit and Standards Committee. The Commissioner will formally approve any changes to the Code of Corporate Governance and framework on an annual basis as part of the governance review. The Code of Corporate Governance detailing the framework arrangements is published alongside this statement.

*Richard Rhodes
Police and Crime Commissioner for Cumbria

*Stuart Edwards
Chief Executive

*Ruth Hunter
Chief Finance Officer/ Deputy Chief Executive

*Signatures have been removed for the purposes of Publication on the website

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Core principle 1: Focusing on the purpose of the Commissioner and the Force, and on outcomes for the community, and creating and implementing a vision for the local area

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Police Reform and Social Responsibility Act (PR&SRA) requires the Commissioner to produce a Police and Crime Plan setting the vision and strategic direction for policing, crime reduction and community safety. The Commissioner’s first Police and Crime Plan was scrutinised by the Police and

- Keep our rural communities safe by tackling crime and disorder in rural areas;
- Provide justice for the victims by detecting crime and bringing criminals to justice;
- Address offender behaviour to reduce adult and youth offending and reoffending;
- Establish a collaborative approach to providing support and assistance to vulnerable veterans to assist them to remain clear of criminal activity;
- Reduce harm by targeting domestic abuse and sexual violence;
- Reduce the harm caused by hate crime;
- Give due consideration to public opinion in policing matters;
- Ensure victims of crime have access to support and redress;
- Tackle the increasing incidence of cyber-crime;
- Deliver a county wide CCTV initiative.

Crime Panel and subject to consultation with the public and our partners before the priorities were finalised and the plan approved on March 11th 2013. The Plan was refreshed and re-launched in March 2014 following further consultation and review. The priorities within the plan are to:

- Ensure Cumbria remains a safe place to live, work and visit by keeping crime at low levels, particularly violent crime and thefts;
- Reduce the impact antisocial behaviour has on our communities;
- Reduce the impact of alcohol misuse on our communities;
- Tackle the problem of drug supply in the county;
- Reduce the impact irresponsible driving has on our communities;

Key performance indicators were set with the Chief Constable at the start of the financial year in support of the objectives within the Police and Crime Plan. The performance indicators are supported by a detailed work programme of actions. During the year crime levels, public satisfaction and police performance have been regularly monitored and publically challenged through the Commissioner’s Executive Board, regular performance review meetings and alongside audits and visits to departments. During the course of 2013-14 the Commissioner’s Executive Board received Constabulary

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reports covering a range of areas of performance including crime levels, disposals, roads policing, public complaints, integrity, police officer and police staff numbers and overtime. These reports enable the Commissioner to hold the Chief Constable to account for the delivery of the priorities set out in the Police and Crime Plan and Constabulary performance in general. They also help inform the amendment of those priorities to ensure they are achieving their aims and the setting of new priorities to meet emerging trends.

The OPCC has chaired a newly established multi-agency panel which scrutinises police use of out-of-court disposals. This has provided an effective framework for identifying good practice and checking on the appropriateness of the use of out-of-court resolutions, which support the reduction of reoffending and take account of victims' views. It has supported the improvement of processes and policies within the Constabulary.

The Police and Crime Plan makes a clear commitment to the local priority of 'visible policing'. The medium term financial forecast supports this commitment by providing funding to maintain an establishment of 1134 police officers and 95 police and community support officers during 2013-14 and 2014-15.

The Commissioner's Police and Crime Plan can be found on our website at www.cumbria-pcc.gov.uk

During 2013-14 the Commissioner commissioned a number of reviews to identify the areas of focus for his own and partners' work in key areas of the Police and Crime Plan: support for victims, domestic abuse, sexual violence and youth justice. Working with a wide range of partners, these reviews identified areas for improvement in services and developed an evidence base to support future commissioning activity. This was further supported by two multi-agency conferences in September and December 2013 that facilitated key partners working together to explore the issues and help identify solutions.

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 service for domestic abuse victims through changes in the service commissioned during the early part of 2014 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.

At the Executive Board meeting of 22nd February 2013 the Commissioner set his first annual budget and precept in the context of a 4 year medium term financial forecast (MTFF). During 2013-14 further work was undertaken to extend and refine the medium term position in the light of the 2013 Spending Round that announced departmental budget allocations for 2014-15 and 2015-16. In line with his duty to maintain the police force, the Commissioner provided the Chief Constable with a funding agreement setting out a budget of £102.5m for the 2013/14 financial year.

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The MTFF included over £3m funding for 2013-14 within a commissioned services budget for community safety and crime reduction in partnership with the District and County Councils, Community Safety Partnerships and wider community and voluntary Sector groups. Funding was also provided for Police Innovation, supporting investment for more efficient and effective working within the Constabulary. Total funding increased to over £4m in year as a result of prior year underspend.

During 2013-14 the commissioned services budget supported a range of partnership working to support services and initiatives to reduce anti-social behaviour and youth offending. Funding was also provided to support sexual and domestic violence services. £50k of funding was awarded to 8 community groups through the Commissioner's community fund and over £1m has been committed to a partnership initiative for a county wide CCTV scheme. A further £2m of funding was agreed to support the Constabulary Business Plan, providing investment in ICT and other initiatives that will support the police to maintain visibility and services from 2015 when officer numbers will have to reduce. 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.

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 arrangements for Commissioning and the issue of grants have been codified within a Commissioning Strategy

approved by the Commissioner at his Executive Board on 27 March 2014. The strategy is supported by a set of accompanying grant regulations

To promote openness and transparency, all Executive Board meetings have been advertised to allow members of the press and public to attend with agendas and papers published on the Commissioner's website.

Following the launch of the Office of Victim Support, the Commissioner continues to develop his arrangements in preparation for the transfer of commissioning responsibilities for victims support services from October 2014. The approved commissioning strategy and budget sets out funding for victims services over a four year timeframe. The strategy and accompanying grant regulations provide authority to enter into partnership arrangements, issue grants and procure services for the provision of support to victims of crime and anti-social behaviour. A Victims' Advocate has been appointed with responsibility for the overall arrangements for victims including the establishment of a Victims' Charity. Work is on-going on a collaborative basis to commission wider victim referral services from 2015 in partnership with North West of England Police and Crime Commissioners.

During 2013-14 and in line with legislative requirements, a stage 2 staff transfer scheme was agreed between the Commissioner and Chief Constable. The scheme was formally presented to the Home Office on 21 March 2014. This scheme had originally been submitted in draft in September 2013 and the scheme finally submitted was unchanged from the draft scheme that was approved by the Home Secretary. The supporting Constabulary budget and

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funding agreement taking account of the transfer was approved by the Commissioner on 27 March 2014.

From April 1st 2014 all staff, other than one vacant post and those within the Commissioner's office, transferred to the employment of the Chief Constable. To reflect the changes to governance arising from the transfer a fundamental review and update was undertaken of all key governance documents. A special meeting of the Joint Audit and Standards Committee was convened on February 7 2014 to review a revised governance framework developed to support the new arrangements from April 2014.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT 2014/15

CP1/1: During 2014/15 the Home Office is undertaking a fundamental review of police funding. To ensure that the Commissioner is able to fully engage in the national funding debate, and understand the implications for future resources, work will be undertaken on the Medium Term Finance Forecast to model the impact of potential changes to grant income.

CP1/2: During 2014-15 the Victims Advocate will be tasked with establishing a charitable trust and putting in place the arrangements from April 2015 for local commissioning of victim referral and support services.



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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011 (PPO). The PRASA and the PPO also set out the function and roles of statutory officers, namely the Monitoring Officer (Chief Executive) and the Chief Finance Officer (CFO). The monitoring officer has specific legal, financial and governance duties in addition to a statutory responsibility for the lawfulness of decision making.

The functions and roles set out in legislation and guidance are codified in the Commissioner's scheme of delegation. The scheme was initially approved on November 23 2012 and has been revised during 2013-14 to take into account the impact of the stage 2 staff transfer scheme. The impact of the scheme has been to transfer all staff to the Chief Constable, other than one vacant post and those within the Commissioner's office.

The statutory framework prohibits delegations from the Commissioner to staff of the Chief Constable. Revisions to the scheme of delegation have therefore removed any responsibilities delegated to former support staff who have been subject to the transfer scheme. Delegations from the Commissioner to his Chief Executive (monitoring officer) and Chief Finance Officer place responsibility with the roles of the statutory officers to secure the delivery of support services. The wider governance framework including financial regulations and decision making processes codify how these roles are carried out.

The new arrangements in respect of support have been codified within the funding agreement between the Commissioner and the Chief Constable. The Commissioner's risk register has been updated on recommendation from the Joint Audit and Standards Committee to reflect the increased risk in relation to the effective 'outsourcing' of support services.

During the year, there have been reviews of the administration and operation of the Commissioner's ICV scheme. The review has supported the role of ICV's through the introduction of a new version of the ICV Handbook, revised policies and procedures for dealing with appointments, termination of appointment, and complaints and appeals. A new standardised Report Form has been introduced, where the visitors report issues as they arise and these reports are collated, monitored and acted upon by the Office of the Police and Crime Commissioner in close co-operation with the Constabulary.

The wider governance framework further detailing specific roles and responsibilities has been updated to take into account the implications of the stage 2 transfer and the restructure of the Commissioner's office. In lieu of a formal constitution document, these arrangements have been consolidated within a substantially revised Code of Corporate Governance supported by a schematic that sets out the governance framework and inter-relationships between key elements of internal control. The full suite of revised documents including financial regulations, procurement regulations, grant regulations and anti- fraud

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and corruption arrangements are available on the Commissioner's website.

During 2013/14 the Commissioner entered into secondment agreements in partnership with Probation, Victim Support and the Youth Offending Service to facilitate joint work on strategy and policy on victim services, domestic abuse, sexual violence and youth justice. Working with a wide range of partners, these reviews identified areas for improvement in services and developed an evidence base to support future commissioning activity. This was further supported by two multi-agency conferences in September and December 2013 that facilitated key partners working together to explore the issues and help identify solutions. 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. This has included the reestablishment of the Victims and Witnesses Group to facilitate accountability of the delivery of the Victims' Action Plan, through partners reviewing delivery and challenging progress.

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 Direction Group, to tackle crime and disorder bringing together public services such as councils, health, probation and voluntary groups working in fields such as domestic abuse support.
- Developing a partnership Cumbria Alcohol Strategy to tackle alcohol harm, alongside a Joint PCC- Constabulary strategy.
- Working with partners on an action plan to tackle hate crime.
- Working with leaders and chairs of the county's key public and voluntary sector agencies as a member of the Cumbria Leaders' Board
- Working to help address alcohol, drug and mental health issues, often contributing factors in crime, through membership of the Health and Well-Being Board.
- Providing funding for Cumbria's four Community Safety Partnerships, who are responsible for bringing together a range of organisations to identify and tackle local issues in relation to crime and disorder, focusing on domestic violence, local crime prevention, and anti-social behavior.
- Supporting community groups to reduce crime and tackle antisocial behavior through a Police and Crime Property Fund, Community Fund and Innovation Fund. Full details can be found on www.cumbria-pcc.gov.uk
- Signing up to 'Cumbria Compact', which is a set of principles and commitments that underpin good working relationships between the public sector and the community covering areas such as equality and diversity, public engagement and the allocating of resources.

The Commissioner is leading a number of multi-agency partner initiatives. In order to ensure that there is clear governance and public messages a communications strategy is defined which sets out the common vision/objectives, key messages, roles and responsibilities. The strategies are regularly updated to take into account key milestones and to demonstrate the objectives within the Police and Crime Plan that are being achieved.

The purpose and role of the Joint Audit and Standards Committee has been subject to review during 2013-14 to take into account new guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The

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review has resulted in the Committee adopting a new terms of reference supported by a revised annual work programme. The terms of reference and work programme enhance the role of committee in reviewing and monitoring arrangements for value for money, anti-fraud and corruption, conduct and the PCC/officer protocol.

During the course of the year a review was undertaken of decision making by the Executive Board. This has resulted in meetings being held in public to increase the openness and transparency of the Commissioner's decision making and his holding to account of the Chief Constable. A facility has also been introduced to enable members of the public to ask questions of the Commissioner at meetings of the Executive Board. The local media have attended all meetings of the Executive Board since the changes were introduced.

During 2013-14 the Commissioner had responsibility for managing the process in respect of the decision of the former Police Authority to suspend the Temporary Chief Constable following allegations relating to serious misconduct. In respect of that process, and following the receipt of the report of the investigating officer, the Commissioner made a decision on 23rd August 2013 that there was a case to answer for misconduct. The decision determined that the matter would not be referred to a misconduct hearing on the grounds of public interest and that management action would be taken.

The Commissioner made a further decision on 23rd August 2013 to suspend TCC Mr Hyde under section 38 (2) of the Police Reform and Social Responsibility Act. This decision commenced procedures under section 38 (3) with a view to calling upon Mr Hyde, as Temporary Chief Constable, to

resign or retire. Mr Hyde's appointment as Temporary Chief Constable came to an end on 30th August 2013. As a consequence, and after that date, Mr Hyde reverted to Deputy Chief Constable, at which point the Commissioner no longer had jurisdiction to consider these matters.

The Commissioner has made public the reasons for all decisions that have been taken. In addition, an executive summary of the investigation report into conduct matters, including all the recommendations of the investigating officer, has been made public to aid transparency.

The recommendations of the investigating officer have been presented in a report to the Joint Audit and Standards Committee. The Committee has received action plans from the Constabulary and Police and Crime Commissioner that responds to those recommendations and any wider governance implications. During the year, the Committee has monitored the implementation of the plans in line with their terms of reference.

To provide further assurance, the internal auditor undertook an audit of the integrity arrangements within the Constabulary and OPCC. The audit included consideration of the extent to which the recommendations arising from Her Majesty's Inspectorate of Constabulary (HMIC) 2012 review of police integrity¹ had been implemented. The conclusion of the internal auditor is that the both the OPCC and Constabulary have satisfactory arrangements in place for managing integrity.

¹HMIC Revisiting police relationships: progress report

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AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP2/1: The Commissioner is working with health and local government partners to improve services for victims of sexual assault in Cumbria. A jointly funded (OPCC, Constabulary and NHS) project manager has been appointed to an 11 month seconded post within the OPCC to work with partners to deliver a sexual assault referral centre and joined-up system of follow-up health and emotional support services.

CP2/2: Building on the work of the OPCC and partners during 2013-14 to develop a shared understanding of Restorative Justice, the OPCC will work with partners to increase the use of quality Restorative Justice through the development of a multi-agency approach.

CP2/3: During 2014-15 and thereafter, the OPCC will work with criminal justice partners to deliver improvements in services to victims in line with the Victims and Witnesses Action Plan and develop compliance with the Victims' Code of Practice, including specific improvements in relation to domestic and sexual violence identified in the 'Taking the Next Steps' review.

CP2/4: The OPCC will develop a prioritised plan for action and partnership working to make improvements in youth justice based on the findings of the review of youth justice.



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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2013/14 the Commissioner and Chief Constable have implemented action plans addressing integrity issues arising from the South Wales investigation report. As part of these arrangements the anti-fraud and corruption strategies of both entities have been reviewed and subject to challenge from the Joint Audit and Standards Committee prior to being formally approved.

The revised arrangements on recommendation from the Committee have included a greater focus on raising awareness of whistle-blowing for staff. In support of the requirements for audit of the 2013-14 financial statements, the Commissioner has also submitted to the External Auditor a fraud risk assessment providing further assurances in respect of the arrangements to protect against fraud and corruption.

Procedures for the use of corporate credit cards have been substantially revised to provide more robust guidance and re-enforce the limited circumstances under which they will be authorised for use. The procedures have been reviewed by the Joint Audit and Standard Committee and amended to take on board members recommendations prior to being issued to relevant staff. Arrangements have also been put in place within the Constabulary, with OPCC oversight, to re-enforce staff awareness of integrity matters within policies for procurement of hospitality and expenses.

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 are subsequently published on the Commissioner's website on a monthly basis. Guidance on gifts and hospitality has been strengthened to specify the value and circumstance of any such offer that would be deemed to be excessive.

The Commissioner and all staff are required to complete a register of interests form on an annual basis. The Commissioner's, Chief Executive and Chief Finance Officer's forms are published on the Commissioner's website for openness and transparency. Prior to considering decisions the Commissioner is required to declare any conflict of interests which are published along with the decision.

Staff have been asked, where appropriate, to complete disclosures of related party transactions. These have been subject to audit as part of the arrangements for the 2012-13 financial statements.

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As leader of the local policing body the Commissioner is critical to setting the culture of transparency and ethical behaviour in which the public can have trust across the criminal justice system in their area. Since coming into office the Police and Crime Commissioner has agreed and signed up to a number of protocols and codes such as a Code of Conduct, which will enable him to carry out his role with integrity and transparency.

The Commissioner has approved a commissioning strategy and supporting set of grant regulations to support openness and accountability in respect of opportunities for grant funding. Other than for limited exemptions, the grant regulations commit to an open process for all grant schemes. The criteria against which bids will be awarded and the terms and conditions of funding must be clearly set out at the commencement of the process.

During the year the Commissioner has undertaken a review of the process for decision making through the Executive Board. That review has resulted in changes to the arrangements, including the facility for members of the public to ask questions of the Commissioner at meetings of the Board. The Executive Board Meeting Protocol was agreed by the Commissioner on 23 July 2013.

As part of his statutory responsibility the Commissioner maintains oversight of the Constabulary complaints process. This is achieved by a quarterly dip sampling process of Constabulary complaint files and reports are presented to the public Executive Board for scrutiny of issues or trends. Complaints received by the Commissioner which relate to Constabulary issues or services are also monitored ensuring a satisfactory conclusion.

Members of the Joint Audit and Standards Committee have reviewed their role against guidance issued by CIPFA in December 2013². That review has resulted in the Committee's annual work programme being developed to include an annual report monitoring the Commissioner's work on anti-fraud and corruption. The Committee will also receive new annual reports from the Chief Executive monitoring the operation and effectiveness of the Commissioner's Code of Conduct and PCC/Officer Protocol.

In respect of the period from 1st April 2013 to the date of issuing this statement, no issues have been raised with the Committee in respect of the operation of the Commissioner's Codes of Conduct/Protocols and the Committee has not received any standards appeals.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP3/1: During 2014/15 the Chief Executive will develop and present to the Joint Audit and Standards Committee new reports monitoring the operation and effectiveness of arrangements for anti-fraud and corruption, the code of conduct and the PCC/Officer protocol.

² CIPFA Audit Committees\Practical Guidance for Local Authorities and Police 2013 Edition

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

All decision making operates within the specific legislative and regulatory frameworks that confer on the Commissioner duties, powers and responsibility. The regulatory framework is implemented through the Commissioner's decision-making policy and process that adheres to the Good Governance Standard for Public Services and the Good Administrative Practice 2.

During the 2013-14 financial year the Commissioner made 49 decisions that have all been recorded and published on the Commissioner's website. Of those, in the interests of openness and transparency, only 13 (26%) were taken as non-public part two items. The range of decisions made included finance and budget, estate, policies, police and crime plan, annual report, policing services and commissioning.

The Joint Audit and Standards Committee has conducted 5 public meetings during the course of the year. As an advisory body, the Committee has undertaken a significant amount of work to review and make recommendations in respect of the Commissioner's arrangements for governance and management of risk. This has included a special meeting of the Committee in February to consider the revised stage 2 governance framework, prior to its adoption by the Commissioner. The Commissioner and the Chief Constable met jointly with the Committee in September in order to receive the views of members prior to authorising the statement of accounts and 2012-13 Governance Statements for publication.

The Chief Executive (**monitoring officer**) has sought specialist legal advice with regards to the Commissioner's decision making in respect of the former Temporary Chief Constable. Specialist and independent advice was also taken with regards to decision making in respect of the Commissioner's appointment of a new Chief Constable. The appointment panel included representation from the College of Policing. The Deputy Commissioner of the Metropolitan Police acted in an advisory capacity. The appointment, in accordance with regulation, was subject to further scrutiny by the Police and Crime Panel before a formal decision and announcement was made on 9 May 2014.

The Office of Public Engagement is instrumental in influencing key decision making within the OPCC. At a recent round of surgeries it was raised a number of times that people and businesses were becoming increasingly concerned in regard to cyber-crime. As a result the Commissioner has included this within the revised Police and Crime Plan.

Another example of people's and partners views being listened to and actioned is the Cumbria CCTV project. The Constabulary and District Councils highlighted the potential future demise of the existing CCTV system and this together with a petition in the north of the county demonstrated how people felt reassured by CCTV and the need to have a county wide solution. The Commissioner listened to these

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views and a new county wide CCTV system is to be launched in December 2014.

The Executive Board has received quarterly reports for scrutiny that detail all complaints received in respect of the Chief Constable, Cumbria Constabulary, and any quality of service issues. The types of quality of service issues raised include Anti-Social Behaviour, Driving/Traffic issues, the Policing Service provided, Case Handling and Police Response. In order for the Commissioner to deal with the matters the issues are raised with the Constabulary and an appropriate solution or response is provided either directly to the individual or to OPCC staff to deal with. All responses are monitored by OPCC staff to ensure they are dealt with in a timely manner and to a satisfactory conclusion.

Of the 21 complaints received by the Commissioner, 86% (18) were passed to the Constabulary to deal with as they did not fall within the Commissioner's statutory authority, i.e. they were regarding an officer below the rank of Chief Constable.

The Police and Crime Panel have met 5 times over the course of the year. Their role is to hold the Commissioner to account for providing policing services within Cumbria. They have scrutinised the Commissioner in relation to his Police and Crime Plan, Annual Report, and Budget & Finance decisions. Priority areas for scrutiny by the Panel are considered in accordance with a programme of reporting agreed between the Panel and the Commissioner. The Panel have also considered 9 complaints received regarding the Commissioner.

To enable the Commissioner to carry out his functions effectively they must monitor and react appropriately to risks. To ensure this a Risk Management Strategy was developed and approved; risks are reviewed on a quarterly basis and registers are monitored by the Joint Audit and Standards Committee. Risk management is embedded within all aspects of the Commissioner's work.

The Constabulary's strategic risk register is presented on a quarterly basis to the Executive Board to enable the Commissioner to have oversight and scrutiny of the risks facing the Constabulary.

An annually developed internal audit plan uses risk as the basis of developing an audit programme to assess the sufficiency of internal controls and their operational effectiveness. During 2013-14 internal audit have undertaken a substantial review of their approach to audit and risk in line with the new Public Sector Internal Audit Standards (PSIAS) that came into effect on April 1st 2013. The review has been supported by an external assessment by Grant Thornton with the outcome presented to the Joint Audit and Standards Committee on March 31 2014.

The impact of that review has been the development of a risk based audit planning process that has a significantly wider focus across the business than has previously been the case. The risk based focus recognises that the most significant areas of business risk can be within non-financial systems and processes.

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The audit plan for 2014-15 developed using this approach has been subject to review by members of the Joint Audit and Standards Committee prior to being signed off by the Commissioner and Chief Constable. Significantly the plan includes audit work covering:

- The adequacy and effectiveness of arrangements for data quality, call handling and dispatch within the new centralised communication center
- Audit work to provide assurances with regard to the adequacy and effectiveness of custody arrangements to minimise the risk of death in custody
- Audits of the arrangements for policy development and absence management
- Risk based cyclical audits of the financial systems based on a three year audit interval

Work during 2013-14 as part of this review has also resulted in the re-design of audit reports to improve the quality and accessibility of audit judgements. The reports include a specific section on risk exposure.

The 2013/14 audit plan provided assurance across a range of areas of audit work. This included the main financial systems, treasury management, budget management, payroll and pensions and the capital programme. In addition to the financial audits, work was undertaken to review the internal control frameworks in respect of integrity arrangements, two areas of data quality and seized/held property. Auditors also provided a report on a policing incident in respect of the Appleby Fair. Financial audits consistently achieve a good or satisfactory rating. Non-financial audits have received satisfactory, fair and

weak assurance. Fair and weak audit assurance reports have been escalated to the Commissioner's Executive Board to ensure the timely implementation of audit recommendations. The pattern of assurance across non-financial audits has supported the decision within the 2014-15 audit plan to place greater focus on wider business risk with cyclical reviews of the financial systems.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP4/1: During 2014-15, the Chief Executive plans to run a risk management seminar supported by the Commissioner's risk management advisors (RMP). The seminar aims to engage all OPCC staff in maintaining an up to date awareness of the approach to risk management. It will give consideration to risk appetite and seek to further develop the OPCC's understanding of the risks arising from responsibilities for victims' commissioning.

CP4/2: During 2014-15 the Chief Executive will develop and present to the Joint Audit and Standards Committee a new annual report monitoring the operation of arrangements for Risk Management.

CP4/3: During 2014-15 the internal audit shared service will continue to implement the remaining actions arising from the review of the service by Grant Thornton and against the new Public Sector Internal Audit Standards. Further detail of the actions can be found within the Chief Finance Officer's annual report on the effectiveness of arrangements for audit.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2013-14 the Commissioner and the Commissioner's officers have received daily APCC briefings in addition to a number of investigative and review reports and updated guidance from a range of national bodies and organisations. These include updated guidance and research papers from Grant Thornton and CIPFA in addition to HMIC inspection reports. Significant publications have included the NAO's report on Police Accountability, the Centre for Public Scrutiny (CfPS) research report on Police and Crime Panels, HMIC's State of Policing and the Home Affairs Committee series of reports on Police and Crime Commissioners.

The Chief Executive is further supported through the Association of Police and Crime Chief Executives (APACCE). During 2013-14, to strengthen the arrangements for providing peer support, Chief Executive Members of that group have worked to develop and circulate 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 developing role of Police and Crime Commissioners. APACCE has also arranged regular meetings for Chief Executives to meet Home Office officials and arranged a buddying system for Chief Executives and senior civil servants. Advice and support is also available through the regional (North West and North Wales) Chief Executives Group, which meets on a quarterly basis.

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. Separate discussions have also taken place with the Lancashire OPCC with a view to exploring the possibility of collaborative working on restorative justice, support to victims and supporting the Transforming Rehabilitation process.

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. This has included a number of briefing papers and events over the year focused on the funding formula review. Officers within the finance team have also attended a number of events run by CIPFA and Grant Thornton to ensure their understanding of the developing issues with regard to the Commissioner and Chief Constable's statement of accounts. In March 2014 CIPFA revised its guidance on the role of the CFO³ providing further guidance following stage 2 transfer. **The role of the Chief Finance Officer has been carried out in compliance with CIPFA guidance (2012) during 2013-14.**

³ 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

Annex B – Annual Governance Statement

Challenges with regard to capacity within the finance function have been addressed with support from members of the Joint Audit and Standards Committee. A re-structure has established a formal assistant CFO post reporting to the deputy CFO. In addition, a training plan has also been developed that provides support to and places on a formal basis arrangements for professional qualifications (Association of Accounting Technicians & CIPFA professional qualification). Both of these measures also aim to support staff development and succession planning in recognition of the growing challenges in the recruitment of suitably qualified and experienced staff within Cumbria.

During the year a tender process has been run to procure specialist taxation advice and specialist advice in respect of treasury management services. Qualitative bids were received from a number of firms, providing confidence that the successful tender proposal can provide effective specialist support. The specification for Treasury Management included a new requirement in respect of advice for borrowing. This is in recognition of the underlying need to borrow within the Commissioner's overall financial position and that consideration needs to be given to the timing and structure of future borrowing requirements.

Further specialist support has been provided to the office during 2013-14 through secondment agreements entered into with Victim Support, the Probation Service and the County Council Youth Offending Service. The agreements have provided additional temporary capacity to develop expertise in support of the priorities within the Police and Crime plan and prepare for the statutory and regulatory responsibilities for victims and victim based restorative justice.

The capacity and skills needed to deliver support in respect of the Commissioner's wider responsibilities for community safety, enhancing criminal justice and supporting victims, has been recognised through an internal restructure of the Commissioner's office. The restructure has placed more emphasis on partnerships, victims support and victims advocacy. Job roles have been revised to make responsibilities clear and ensure staff resources are appropriately aligned. The structure has included the appointment of a Victims Advocate to support the transition from national to local victims support services and commission services locally.

All staff within the office have undertaken a personal development review process to ensure they have the skills to be effective in their roles. Specific training has been provided for staff in the areas of advanced Microsoft Word, Excel, freedom of Information, media management, coaching and fire safety.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. The overall conclusions from that review are that the Audit and Standards Committee is extremely effective in its operation. The review has demonstrated that within the areas of the CIPFA self-assessment the Committee can evidence substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as being evidence of effectiveness.

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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. In areas where the Committee has not achieved a grade 5 there are plans to improve and develop the arrangements within the Committee's 2014-15 work programme. 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>.

During 2013-14 to date, four Induction Training Courses have been held for new Independent Custody Visitors (ICV's), in Penrith on 5 April 2013; Kendal on 22 November 2013; Workington on 28 February 2014 and Carlisle on 2 May 2014. 23 new ICVs in total were trained during 2013-14. At the time of writing, membership of each of the panels stands at: Barrow 11; Kendal 10; North Cumbria 12 and West Cumbria 12. Barrow and Kendal have decided not to fill their remaining vacancies at the present time as they feel they have sufficient members to give an appropriate balance between workload and resources.

The 2013 ICV Cumbria Conference was held on Saturday 27 April in Kendal and dealt with a range of subjects. This included the care and welfare of persons detained in Police Custody as a place of safety under Section 136 of the Mental Health Act and the use of restraint within Custody. The 2014 Conference was held on Saturday 26 April in Penrith and dealt with issues including Human Trafficking and Sexual and Domestic Violence.

In addition to the Cumbria Conferences, a number of ICV's attended the 2013 Regional Conference held on Saturday 21 September at Haydock Park Racecourse. The event covered a range of issues including Risk Management and the Prevention of Deaths in Custody; and regional perspectives on Human Trafficking and Mental Health.

During the year the Commissioner received additional one-off funding to enhance the capacity and capability of the voluntary, community and social enterprise sector to support victims of crime, enhance the capacity within the office to prepare for local commissioning of victim support and develop capacity within the arrangements for restorative justice. The funding has contributed to a number of schemes through providing grant support to third sector organisations to grow and train both volunteers and professional support for victims of domestic and sexual violence and hate crime. Capacity within the office to deliver longer term accessible information for victims has been supported through the appointment of a Victim's Advocate and the commissioning of a victims information portal.

AREAS FOR FURTHER DEVELOPMENT

CP5/1: Over the next financial year the Commissioner will receive support as a member of North West Employers to develop internal arrangements for human resource policies and procedures following from the stage 2 transfer.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Policing Protocol Order highlights the accountability of the Police and Crime Commissioner to local people. It sets out the Commissioners legal power and duty to provide the local link between the police and communities, working to translate the legitimate desires and aspiration of the public into action. This responsibility is delivered through an Office of Public Engagement to ensure a wide range of engagement approaches so that the Commissioner actively listens, considers and effectively uses the views of the people of Cumbria and is accountable. During 2013-14, the Commissioner has:

- carried out more than 100 public engagement events, ranging from surgery style events, 'drop-ins' at supermarkets, walkabouts with Constabulary Neighbourhood Policing Teams, attendance at neighborhood forums, community meetings, parish councils, meetings with various groups i.e. disability, LGBT, and county shows. Attended numerous meetings with local councillors and MPs;
- Hosted two conferences, one on victims and one on sexual/domestic violence;
- Published online and circulated by email and community messaging, a monthly newsletter, and contributed to other newsletters;
- Taken part in a wide range of media activities and interviews;
- Conducted surveys on rural crime, and policing priorities, through a mixture of both online and face-to-face methods during themed engagement events;
- Promoted events and activity and maintain a presence using social media i.e. Twitter and Facebook;
- Launched three funds which invite applications from community groups for them to tackle priorities in the Police and Crime Plan: The Property Fund, the Community Fund and the Innovation Fund;
- Dealt with 112 'Quality of Service' complaints from members of the public;
- Hosted an on-line webchat about rural crime.

The Commissioner provided the Police and Crime Panel with his first annual report on 19 July 2013. The annual report, entitled "Making Cumbria an Even Safer Place", provided detail on crime and anti- social behaviour, the establishment within the OPCC of the Office of Victim Services and the Office of Public Engagement, policing within Cumbria, how the Commissioner had responded to issues raised during community engagement activity and future priorities. During the course of the year the Panel have scrutinised the Commissioner in relation to his Police and Crime Plan, Annual Report, and Budget & Finance decisions. The Panel have also developed jointly with the Commissioner a programme to enable the scrutiny of priority areas from within the Police and Crime Plan and some of the areas scrutinised have included Hate Crime, youth justice and adult offending and veterans. The Panel have also considered 9 complaints received regarding the Commissioner. Communities in Cumbria have contacted the Commissioner to make complaints and raise quality of service issues. In the year 2013-14 the Commissioner received 112 quality of service complaints from members of the public. These issues were then raised with the Constabulary to deal with the issues and monitored by OPCC staff to ensure a timely and appropriate solution was found.

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Only 1 issue remains to be completed and mediation is taking place to resolve the matter.

Of the 21 complaints received by the Commissioner 18 (86%) were passed to the Constabulary to deal with in line with statutory legislation and authorities. Of the remaining 3 (14%) the complainant was seeking the Commissioner's intervention following the conclusion of the Constabulary dealing with their complaint. In these instances OPCC staff provided appropriate guidance and advice on appeal processes available to the individual.

The Commissioner's first set of audited accounts were signed on 23 September 2013 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 commissioner as at 31 March 2013 and that they have been properly prepared in accordance with CIPFA/LASAAC⁴ Code of Practice on Local Authority Accounting. The auditors further confirmed in their annual governance report on 23 September 2013 a positive conclusion with regards to securing value for money.

In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 & 2012 and the guidance provided by the Information Commissioner a range of information has been made publically available through the Commissioners website over the course of the

year. This has included agenda and reports for the public Executive Board meetings and the Joint Audit and Standards Committee, guidance and application packs for the Commissioner's three funds, Freedom of Information disclosure logs, financial information and strategies. The Commissioner's monthly Executive Board meetings have also been opened to attendance by the press and public, resulting in the decision making process becoming more open and transparent.

The Commissioner conducted a formal consultation with staff in respect of proposed change to the OPCC staffing structure. This included the opportunity for staff to feedback on the overall proposal and on changes and developments in job roles. The staffing structure and role profiles for the OPCC are publically available on the Commissioner's website.

⁴ The Chartered Institute of Public Finance and Accountancy and the Local Authority Scotland Accounts Advisory Committee

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AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP6/1: During 2013-14 CIPFA issued new guidance specifically aimed at making the statement of accounts more accessible for readers. During the process for preparing the 2013-14 financial statements initial work has been undertaken to consider the guidance and review the presentation and disclosures made in the statements. As part of this work more use has been made of text boxes to explain technical terms, language and explanations have been reviewed and where possible revised, non-material items have been removed to de-clutter the accounts and the summary financial statements have been re-written to improve their accessibility to the wider public. This work will continue during 2014/15 with a view to considering further changes that can be made, including the increased use of diagrams and graphics to more easily explain the financial position and statements.

CP6/2: In line with requirements detailed within the Specified Information Order work will be undertaken with the Constabulary to enable the publication of contracts exceeding a value of £10,000.

APPENDIX A: 2014-15 DEVELOPMENT AND IMPROVEMENT PLAN

APPENDIX B: 2013-14 DEVELOPMENT AND IMPROVEMENT PLAN UPDATE

FURTHER INFORMATION

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

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

Office of the Police & Crime Commissioner
Carleton Hall
Penrith
Cumbria CA10 2AU

Telephone: 01768 217734

E-mail: commissioner@cumbria-pcc.gov.uk



To report any concerns about fraud or corruption, please ring one of the following numbers:

**Audit Commission
Whistle Blowers**

03034 448346

Chief Executive OPCC

01768 217734

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Annex B – Annual Governance Statement

APPENDIX A: 2014-15 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Responsibility	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.		
CP1/1	Model the impact of potential changes to grant income arising from the review of the police funding formula.	Chief Finance Officer	31-Mar-15
CP1/2	Establish a charitable trust and put in place the arrangements from April 2015 for local commissioning of victim referral and support services.	Chief Executive	31-Mar-15
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.		
CP2/1	Deliver a sexual assault referral centre and joined-up system of follow-up health and emotional support services.	Chief Executive	30-Apr-15
CP2/2	Work with partners to increase the use of quality Restorative Justice through the development of a multi-agency approach.	Chief Executive	31-Mar-15
CP2/3	Deliver improvements in services to victims in line with the Victims and Witnesses Action Plan and develop compliance with the Victims' Code of Practice, including specific improvements in relation to domestic and sexual violence identified in the 'Taking the Next Steps' review.	Chief Executive	31-Mar-15
CP2/4	Develop a prioritised plan for action and partnership working to make improvements in youth justice based on the findings of the review of youth justice.	Chief Executive	31-Mar-16
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.		
CP3/1	Develop and present to the Joint Audit and Standards Committee new reports monitoring the operation and effectiveness of arrangements for anti-fraud and corruption, the code of conduct and the PCC/Officer protocol	Chief Executive	31-May-15
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.		
CP4/1	Implement a risk management development seminar for OPCC staff	Chief Executive	31-Mar-15
CP4/2	Develop and present a report to the Joint Audit and Standards Committee on the operation and effectiveness of the arrangements for risk management	Chief Executive	31-Mar-15
CP4/3	Implement actions arising from the review of internal audit by Grant Thornton and against the PSIAS	Chief Finance Officer	31-Mar-15
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.		
CP5/1	Develop the arrangements for human resource policies following stage 2 transfer	Head of Communications and Business services	31-Mar-15
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.		
CP6/1	Improve the presentation and accessibility of the statements of accounts and summary financial statements	Chief Finance Officer	31-Oct-14
CP6/2	Work with the Constabulary to fully comply with information publication requirements for contracts	Chief Finance Officer	31-Mar-15

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APPENDIX B: 2013-14 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Action Complete	Responsibility	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.			
4.12	Review all governance documents and amend for the implications of stage 2 transfers.	<i>Action Complete – documents reviewed and presented to JA&S on February 7 2014 & approved by the Commissioner on 27 March 2014</i>	Chief Finance Officer	31-Mar-14
4.13	Review and amend the funding agreement between the Commissioner and Constabulary to reflect financial implications of stage 2 transfers.	<i>Action Complete – Timescales were delayed due to late issue of precept determination. Funding agreement approved by the Commissioner on 27 March 2014</i>	Chief Finance Officer	31-Dec-13
4.14	Develop arrangements for the Office of Victim Services.	<i>The Office of Victim Services was launched in March 2013. An independent review of victim services has taken place and the feedback from victims has been that they wanted to be treated with dignity & respect. The Commissioner is now leading a multi-agency action plan to improve support to victims and this is being supported by a newly appointed Victims Advocate. Future funding for services to support victims will be devolved to the Police and Crime Commissioner in April 2015 and this will enable future commissioning of services to be undertaken at a local level.</i>	Engagement & Media Executive	31-Mar-14
4.15	Develop and implement Commissioning strategies / accountability frameworks.	<i>Action complete but delivered across mixed deadlines due to capacity issues – Governance in respect of grant funding for the community fund and innovation fund were approved on the 6 Nov 13 and 4 Dec 13 respectively. The wider Commissioning Strategy was approved on the 27 March 2014 with supporting grant regulations approved on 7 May 2014.</i>	Chief Finance Officer	31-Dec-13
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.			
5.20	Consolidate all governance documents into a single constitution.	<i>Action Complete - The wider governance framework has been updated to take into account the stage 2 transfer and the Commissioner's restructure. In lieu of a formal constitution document, these arrangements have been consolidated within a substantially revised Code of Corporate Governance supported by a schematic that sets out the governance framework and inter-relationships between key elements of internal control. This was considered to be a more accessible format than a traditional constitution document. The revised Code and Schematic were approved on 24 June 2014.</i>	Chief Finance Officer	30-Jun-14
5.21	Review arrangements for the Executive Board / decision making.	<i>Action Complete - The Executive Board and the decision making process was reviewed in summer 2013. As a result Executive Board meetings are now held in public and the public and media are invited each month to attend. Executive board papers are placed on the website seven days in advance of the meeting and the link is sent to all the local media.</i>	Engagement & Media Executive	31-Mar-14
5.22	Review Partnership arrangements for Community Safety Partnerships.	<i>Action completed – A review of arrangements for supporting and engaging CSPs was undertaken and implemented in consultation with CSP Chairs, including the development of grant funding processes to support this.</i>	Chief Executive	31-Dec-13

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Ref	Action	Action Complete	Responsibility	Deadline
5.23	Develop Partnership strategies to progress Police and Crime Plan priorities.	<i>Partnership strategies or actions plans have been developed through partnership groups in relation to alcohol harm, victims and witnesses, domestic abuse, sexual violence, hate crime. A partnership group is developing a strategy related to the Armed Forces Covenant and veterans. A Joint PCC-Constabulary Rural Crime Strategy has been developed, with support of many stakeholders. An Out of Court Disposal scrutiny strategy has been developed and implemented. Youth justice will be dealt with during 2014-15 and 2015-16 due to limited OPCC and partner capacity to drive significant change across a significant number of different issues. An action is set out in the 2014-15 AGS action plan.</i>	Chief Executive	31-Mar-14
5.24	Develop and implement a joint action plan/undertake an integrity Audit	<i>Action completed – Integrity Audit undertaken and recommendations actioned. Action Plans to address the recommendations arising from the South Wales Police investigation have been developed and largely implemented.</i>	Chief Executive	31-Mar-14
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.			
6.11	Audit Committee Review of effectiveness.	<i>Action Complete – formal assessment of the effectiveness of the Committee undertaken against the CIPFA guidance and standards set out in the 2013 audit committees\practical guidance for local authorities and police was completed May 2014. The outcome of the review was formally reported to the Commissioner and Chief Constable as part of the arrangements for governance, on 24 June 2014.</i>	Chief Finance Officer / Audit Committee Chair	31-May-14
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.			
7.12	Review of decision making and risk management in the context of new responsibilities from 2014/15.	<i>Action partially complete: Decision making complete – see 5.21. Risk management arrangements have been reviewed as part of the arrangements for reviewing governance and implementing a revised risk management strategy. Further development work will continue in 2014-15. An action has been included within the 2014-15 AGS action plan.</i>	Engagement & Media Executive	31-Mar-14
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.			
8.12	Review of arrangements for accessing development opportunities, skill and knowledge updates for the Commissioner.	<i>Action Completed – Access to support regionally and nationally for the Commissioner and staff in place and subject to continued review.</i>	Chief Executive	31-Mar-14
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.			
9.9	Arrangements for communication / briefing staff on the policy framework and its application following review.	<i>Action partially completed – Review of OPCC structure completed but work on the policy framework is still ongoing with support of North West Employers. Action included within the 2014-15 AGS action plan.</i>	Chief Executive	31-Mar-14

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Ref	Action		Responsibility	Deadline
9.1	Review publication scheme and public access to information / meetings.	<i>Action Complete - The Publication Scheme has been reviewed on a number of occasions throughout the year to ensure that all the statutory obligations are met. There is just one area that the OPCC is unable to meet and this is the publication of all contracts over £10,000. This has been identified as a future piece of work. Public access to information has been significantly improved with the monthly Executive Boards now being held in public. The website is used as the main source of information for people and last figures show that more people are using this as a source of information however, we always ask people to contact the office directly if they do not have access to a computer. The Commissioner has a range of information publications such as the Police and Crime Plan and Annual Report when he attends any public meetings.</i>	Engagement & Media Executive	28-Feb-14





Police and Crime Commissioner for Cumbria

Statement of Accounts | 2013/14





Police and Crime Commissioner for Cumbria

Statement of Accounts 2013/14

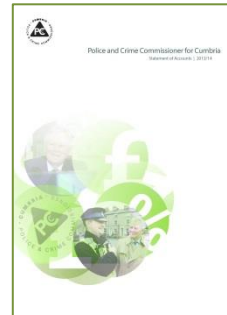
About this Publication

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 2013/14 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

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Police and Crime Commissioner for Cumbria

Statement of Accounts 2013/14

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The PCC CFO Introduction. For a quick, highly summarised version of this Statement of Accounts please read the next 10 pages. The full story starts on page 13, please read that too.

Please see page 27 for a full list of the notes to the accounts and cross references to page numbers.

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2013/14 financial year. This is the second set of accounts for the Police and Crime Commissioner for Cumbria. On 22 November 2012 the Police and Crime Commissioner (the Commissioner) and the Chief Constable were established as separate legal entities with a requirement for single entity accounts. The funding and accountability relationship between the entities meets the definition of a subsidiary for the Chief Constable. This results in a requirement for the Commissioner to produce consolidated group accounts. This financial statement sets out both the single entity statements of the Commissioner and the consolidated group position. They are published in accordance with the Accounts and Audit Regulations 2011.

The statement provides a breakdown of net spending during the year and shows the strong overall financial position of the Commissioner as at 31 March 2014. The reporting format is specifically designed to meet the requirements of the Code of Practice on financial reporting. 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: www.cumbria-pcc.gov.uk. This introduction aims to provide a simplified summary of the financial statements as part of this publication. It is also available as stand-alone Summary Statement document on the same website, together with the single entity statements of the Chief Constable for Cumbria Constabulary.

Statutory Framework

The 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 for the police force.

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.

PCC Chief Finance Officer Introduction and Summary of Accounts

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.

2013/14 Grant Settlement and Budget

The Commissioner incurs both revenue and capital expenditure, although revenue expenditure is by far the larger amount. Revenue expenditure can broadly be described as day to day running costs and includes most of the costs of operational policing in addition to expenditure with wider partners on community safety and crime reduction. It is funded through a mixture of government grants, the principle of which are the police grant and formula grant, together with locally raised income from Council Tax.

Capital expenditure is made up broadly of expenditure on non-current or fixed assets. These are assets that have a useful life of beyond one year and include expenditure on property, vehicles, ICT and other equipment. Capital expenditure is funded from a home office grant, capital receipts generated from the sale of capital assets and by direct contributions from revenue income.

The combined net revenue budget for the Commissioner and the Constabulary for 2013/14 of £98.771m was set by the Commissioner on 22 February 2013. Funding of this amount came from formula and capital grants (£65.830m), income from Council Tax and the Commissioner's share of District Council's collection funds net surplus (£32.941m). The capital budget was set at £11.961m and included provision for the new South Territorial Policing Area headquarters at Barrow.

The budget was supported by an increase in Council Tax of 1.95%, taking the Commissioner's proportion of the band D equivalent tax to £204.66 per annum. The effect of the increase is to support the medium term financial forecast and mitigate some of the impact of cost increases and reductions in government funding. The overall position on income supported by the Council Tax enabled the Commissioner to maintain the existing establishment of police officer and police and community support officer (PCSO) numbers. The Chief Constable was provided with a budget of £102m to support policing. The income budget also provided £4.35m for Commissioned Services, to provide funding for partnership working across the Commissioner's wider community safety, crime reduction and victim support responsibilities.

The table below shows the summary budget for 2013/14 as set on 22 February, the revised budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit). References to the PCC relate to the Police and Crime Commissioner, references to CC relate to the Chief Constable.

PCC Chief Finance Officer Introduction and Summary of Accounts

Summary Budget and Outturn

	Base Budget 2013/14 £000s	Revised Budget 2013/14 £000s	Provisional Outturn 2013/14 £000s	(Under)/ Overspend 2013/14 £000s
Constabulary Budget	102,752	101,696	98,371	(3,325)
CC Managed Budgets	8,002	6,582	6,863	281
Office of the PCC	891	891	890	(1)
Commissioned Services	4,353	4,353	4,343	(10)
PCC Other	2,239	6,679	9,746	3,067
Grants/ Contributions	(19,466)	(21,430)	(21,442)	(12)
Net Expenditure	98,771	98,771	98,771	0
<i>External Funding</i>				
Government Grants	65,830	65,830	65,830	0
Council Tax	32,941	32,941	32,941	0
Total External Funding	98,771	98,771	98,771	0

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 Comprehensive Income and Expenditure statement.

The constabulary budget is made up of funding for employee costs (Police Officers £75.8m, PCSO's £2.88m, Police Staff £13m), transport costs of £2.9m and supplies/other costs of £11m. Chief Constable managed budgets comprise premises expenditure of £3.7m with the balance being support staff and other employee costs including provision for redundancy. These budgets are managed by the Chief Constable on behalf of the Commissioner. PCC other budgets combine the costs of technical accounting adjustments, capital finance costs and movements in reserves.

In-Year Financial Performance

Revenue Expenditure: The combined revenue underspend during the year amounted to £3.195m and of this sum £2.590m (81%) related to reduced expenditure on police officers and PCSO's as a result of operating below establishment. The Chief Constable has now developed a robust workforce plan which will see police officer and PCSO numbers operating on or around establishment throughout 2014/15.

The underspend for the year was forecast early in the budget monitoring process. This enabled £3m of the unutilised funding to be included within the 2014/15 budget to support investment in commissioned services. A commissioned services strategy and programme has been developed alongside grant regulations to provide a governance framework that provides funding for partnership working, supporting victims, community safety and prevention.

The Commissioned Services budget for 2013/14 provided funding for initiatives in support of a number of the priorities identified within the Police and Crime Plan. Funding has been supplemented by contributions from district councils that has focused on community safety projects and includes a significant £1.5m Investment in County Wide CCTV. Funding has also been provided to Community Safety Partnerships, County Council Youth Offending and Domestic Violence Advisory Services and West Cumbria Rape Crisis. £50k has been provided to Community Groups as part of the Community Fund.

The Commissioner also maintains the Police Property Act Fund. This 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 2013/14 awards totaling £12k were made. As at 31 March 2014 the Police Property Act fund balance stood at £56k.

Capital Expenditure: In 2013/14 Capital Expenditure amounted to £3.311m. The original capital programme was amended during the year to £8.962m to reflect changes in respect of the prior year capital outturn, new schemes approved and the re-profiling of some capital projects. The final outturn of £3.311m represents only 37% of the adjusted budget being spent in the year with 63% of the budget being re-profiled into future years. Almost half of the slippage relates to the construction of a new South Territorial Policing Area headquarters at Barrow where now that the contract to build the new premises has been awarded, a revised profile of payments has been developed. Whilst the payment profile for the project has slipped the planned completion date for the scheme remains on target. The remaining slippage primarily relates to ICT schemes which have been re-profiled for a combination of reasons including delays in national scheme specifications and the development of detailed business cases to support the projects. Further work has been undertaken with spending departments during the budget setting process for 2014/15 with the aim of reducing slippage and improving the budget forecast for capital expenditure.



The Financial Statements

The aim of the financial 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. This section of the financial summary provides an explanation of the various parts of the statement alongside a high level summary and narrative on the financial position. The financial statements for 2012/13 have been re-stated due to a change in disclosure requirements in respect of pensions. A full explanation is provided in note 34 to the accounts on pages 86-88.

The key financial statements are:

- The movement in reserves statement (MiRS)
- The comprehensive income and expenditure statement (CI&ES)
- The Balance Sheet (BS)
- The Cash Flow Statement (CFS)
- The Police Officer Pension Fund Accounts

Movement in Reserves Statement

This statement shows the different reserves held by the Commissioner, analysed into 'Usable Reserves' that that can be applied to fund expenditure or reduce taxation and other (principally technical accounting) 'Unusable Reserves'. It shows the opening balance on all reserves at the start of the year, movements in year and the closing balance. The movements in year comprise movements arising from the Surplus or Deficit on the Provision of Services line within CI&ES, other CI&ES adjustments, accounting adjustments and transfers to and from earmarked reserves.

The accounting adjustments provide a mechanism through which charges made within the accounts in accordance with accounting standards are reversed, leaving only the statutory amounts required to be charged for council tax 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. The statement is shown in page 20 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

	Balance 01/04/2013 £000s	Movements 2013/14 £000s	Balance 31/03/2014 £000s
Police Fund	5,149	0	5,149
Earmarked Revenue Reserves	12,705	4,090	16,795
Earmarked Capital Reserves	8,860	2,010	10,870
Capital Receipts	1,188	(145)	1,043
Capital Grant Unapplied	3,765	101	3,866
Constabulary Usable Reserves	(1,042,939)	1,042,939	0
Total Usable Reserves	(1,011,272)	1,048,995	37,723
Unusable Reserves	43,011	(1,018,604)	(975,593)
Total Reserves	(968,261)	30,391	(937,870)

The Chief Constable's financial statements for 2012/13 included a number of technical accounting reserves as usable reserves that would normally be treated as unusable reserves. This accounting treatment was required as at the time the Chief Constable did not have the powers of statutory override required to reverse accounting entries through a movement in reserves statement. These powers have now been granted and as such the reserves are now shown as unusable reserves and a movement between usable and unusable reserves was effected as at 1 April 2013. This change accounts for the largest movement in reserves in respect of an amount of £1,042m.

Reserves are held to manage both planned expenditure and provide a contingency against unplanned costs in the future which cannot be accurately quantified at the time of closing the accounts. The Reserves Statement shows that the Commissioner's Police Fund Balance at 31 March 2014 stands at £5.149m. This represents approximately 5% of the net budget and will be held at this level pending the 2015/16 grant settlement. In addition a number of specific earmarked reserves are maintained to address specific areas of expenditure, usually of a non-recurring nature, which must be incurred in future years. Earmarked reserves increased by £6.100m during 2013/14, primarily as a result of the underspend on funding provided by the Commissioner to the Constabulary and the capital reserve for CCTV. The underspend has been planned into the 2014/15 budget to provide commissioned services. More detail on earmarked reserves is provided within note 5 to the statement of accounts on pages 34-35.

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 and grant income. The Commissioner prepares this statement in accordance with the service expenditure analysis as required by the Service Reporting Code of Practice (SERCOP). This provides information on the cost of the different policing services that have been provided over the financial year

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

	Gross Expenditure 2013/14 £000s	Gross Income 2013/14 £000s	Net Expenditure 2013/14 £000s
Local policing	48,987	(1,972)	47,015
dealing with the public	7,445	(44)	7,401
criminal justice arrangements	9,133	(404)	8,729
Road policing	6,953	(956)	5,997
Specialist operations	4,050	(458)	3,592
Intelligence	5,873	(231)	5,642
Investigations	14,012	(291)	13,721
Investigative support	3,142	(56)	3,086
National policing	1,465	(964)	501
Corporate and democratic core	1,172	(2)	1,170
Non distributed costs	91	0	91
Exceptional items - termination costs	671	0	671
Cost of Services	102,994	(5,378)	97,616
other operating expenditure	14,758	(14,838)	(80)
Financing and investment income	48,856	(3,708)	45,148
Taxation and non-specific grant income	0	(105,218)	(105,218)
(surplus)/deficit on the provision of services	166,608	(129,142)	37,466
other comprehensive income and expenditure	0	(67,857)	(67,857)
Total comprehensive income and expenditure	166,608	(196,999)	(30,391)

The statement shows a net cost of services of £98m, based on proper accounting practices. This comprises £103m of expenditure funded by £5m of specific grant income and income from fees and charges. A further £15m is spent on pension costs which are supported by an equivalent amount of specific grant funding. The overall position on the statement is a surplus of £30m that is taken to reserves and reflects the accounting surplus from the CI&ES.

The CI&ES is shown on page 22 of the full statement of accounts. A subjective analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the notes to the accounts (note 20b to the statement of accounts on page 68).

Capital Financing costs on the CI&ES are extremely low other than those that fund the PFI scheme. This reflects the Commissioner's decision to continue to fund the borrowing requirement arising from the capital programme internally. This is due to the Commissioner's level of cash reserves and the relatively low interest rates available on investing such balances. At the end of the financial year £17.357m (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 during the forward interest rate cycle, the Commissioner will need to consider taking up external equivalent borrowings.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31st March 2014) of the assets and liabilities recognised by the Commissioner. Assets comprise the Commissioner's property, plant and equipment, including software. These are termed long term assets and have been valued at £61m. Current assets comprising investments, debtors and cash have a value of £34m. Current liabilities reflect amounts owed by the Commissioner. They include creditors, PFI, pensions and finance lease liabilities. They are split between short term and long term liabilities, the short term liabilities being those amounts due to be paid within 1 year. The net assets (assets less liabilities) are matched on the balance sheet by the Commissioner'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 in page 24 in the full statement of accounts.

The table below sets out a summary balance sheet.

	Balance as at 31/03/2013 £000s	Balance as at 31/03/2014 £000s
Property, plant & equipment	59,569	60,850
Intangible assets	1,261	643
Current assets	28,052	34,208
Current liabilities	(10,274)	(10,822)
Long term liabilities	(1,046,869)	(1,022,749)
Net Assets	(968,261)	(937,870)
Usable reserves	(1,011,272)	37,723
Unusable reserves	43,011	(975,593)
Total reserves	(968,261)	(937,870)

Reserves are reported on the balance sheet consistently with the movement in reserves statement, across two

categories. Usable Reserves result from the Commissioner's activities and can be used to finance future expenditure. The Usable Reserves comprise of the Police Fund, Earmarked Reserves and Unapplied Capital Receipts. Unusable Reserves are derived from accounting adjustments and cannot be spent. The Unusable Reserves include accounting reserves in respect of revaluations, pensions, council tax, accumulated absences and the capital adjustment account. The movement between usable and unusable reserves on the balance sheet is explained within the narrative on the movement in reserves statement (page 7).

The Commissioner's 2013/14 group balance sheet includes a combined pensions deficit of £1,017m (£1,040m in 2012/13) for the Local Government Pension Scheme (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 Commissioner remains healthy.

The Commissioner has a good collection record in respect of invoices raised for services provided. During 2013/14 only five sundry debtor invoices totalling £12,010 were authorised to be written off as not collectable. The Bad Debt Provision stands at £4,172 (£2,043 in 2012/13) against the future potential that not all outstanding invoices will prove to be 100% collectable. See note 12 to the statement of accounts (Page 47).

PCC Chief Finance Officer Introduction and Summary of Accounts

Post Balance Sheet Events

In the Commissioner's 2012/13 Statement of Accounts, a post balance sheet event was included in relation to the continued suspension of Mr. Hyde the temporary Chief Constable, on 13 September 2012. In September 2013, Mr. Hyde returned to work in his substantive role as Deputy Chief Constable. Mr. Lawson the temporary Chief Constable (seconded from Merseyside Police) continued in his role throughout 2013/14. Mr. Hyde retired from his post in December 2013. In April 2014, the Commissioner undertook a recruitment exercise to appoint a permanent Chief Constable for Cumbria and Mr. Graham (formerly the Deputy Chief Constable) was appointed to the role following confirmation by the Police and Crime Panel and will take up office on 1 August 2014.

The Cash Flow Statement

The Cash Flow 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 statement is shown on pages 25-26 of the full statement of accounts.

	Cash Flows 2012/13 £000s	Cash Flows 2013/14 £000s
Balance 1 April	(4,618)	(10,680)
Net cash flow from:		
- Operating activity	(5,928)	(8,453)
- Investing activities	(274)	7,737
- Financing activities	140	86
Balance 31 March	(10,680)	(11,310)

Police Officer Pension Fund Accounts

This statement sets out the transactions on the Police Officer pension fund account for the year. A page of explanatory notes are also provided within the financial statements to support the account.

	Pension Fund A/c 2012/13 £000s	Pension Fund A/c 2013/14 £000s
Contributions - Employer	(9,987)	(9,772)
Contributions - Officers	(4,939)	(5,277)
Transfers In	(180)	(298)
Capital Equivalent - Ill Health	(231)	(469)
Benefits Payable	27,311	30,392
Refunds of Contributions	0	9
Transfers Out	84	173
Net Amount payable	12,058	14,758
Contribution from PCC/Home Office top Up grant	(12,058)	(14,758)
Net Amount Payable	0	0

The statement identifies a net amount payable for the year of £14.758m. This is the difference between the amount due from employer, police officer and other contributions into the fund and the pension benefits that

PCC Chief Finance Officer Introduction and Summary of Accounts

are payable from the fund. The Police Officer Pension Fund is an unfunded scheme. This means that there are no investment assets built up to meet pension liabilities. Any difference between the amounts received into the fund and amounts to be paid are met by central government grant.

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 acronyms. The statements are published alongside the Annual Governance Statement for the Police and Crime Commissioner and the Chief Constable in accordance with the 2011 Accounts and Audit (England) Regulations.

The Annual Governance Statement of the Commissioner can be found at www.cumbria-pcc.gov.uk/governance-transparency/document-library.aspx or on pages 110-136 of the full statement of accounts.

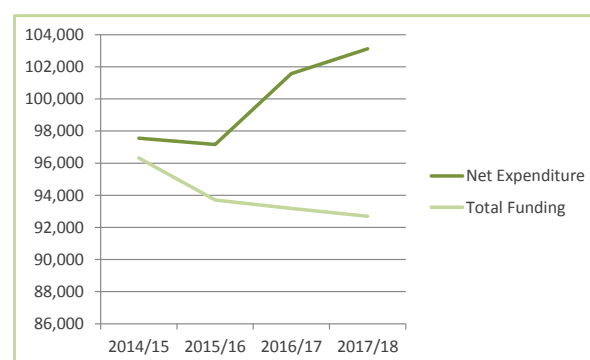
The Financial Outlook

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 as at 31 March 2014. This has primarily arisen as a result of underspend on the budget and

positive action on behalf of the Constabulary to reduce costs in the context of future reductions in government funding. Whilst the outlook is financially resilient in the short term, it is expected to become significantly more challenging over the next few years.

Significantly the budget set for 2014/15 was set in the context of a four year medium term financial forecast that is in deficit from 2016/17. Gross income, at the time of setting the 2014/15 budget, was forecast to be £122.3m but with an estimated reduction to £118.6m by 2017/18. Whilst income decreases cost will rise due to the impact of inflation and pay awards.

The chart below illustrates for the next four years, the current forecast of expenditure compared to funding available to finance it.



The 2015 spending review is expected to make further reductions in the total level of resources available. At least £10m of savings will need to be made over those four years to balance the budget even with annual increases in council tax. This will mean significant reductions in police officers and staff at a time where some crime figures are starting to increase.

PCC Chief Finance Officer Introduction and Summary of Accounts

The current financial forecasts exclude the impact of a £16m risk of funding loss arising from changes to central government funding formula. The balance sheet position on reserves is currently being maintained at a higher than usual level to mitigate against the impact of this risk. The Commissioner and Chief Constable are developing a detailed change programme to consider options that will address the future gap between expenditure and income.

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

Acknowledgements

The financial statements were originally authorised for issue by me as PCC Chief Finance Officer (CFO), on 25 June 2014. Following completion of the audit, they were re-authorised by me on 22 September 2014 and were formally approved by the Police and Crime Commissioner at a joint meeting of the Executive Board and Joint Audit and Standards Committee.

Ruth Hunter

PCC Chief Finance Officer/Deputy Chief Executive

The accounts present a true and fair view of the position of the Police and Crime Commissioner's Group Accounts as at 31 March 2014 and its income and expenditure for the year there ended.

PCC Chief Finance Officer/Deputy Chief Executive

Ruth Hunter CPFA _____ Date 22 September 2014

The accounts present a true and fair view of the position of the Police and Crime Commissioner's Group Accounts as at 31 March 2014 and its income and expenditure for the year there ended.

Police and Crime Commissioner for Cumbria

Richard Rhodes _____ Date 22 September 2014

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 PCC Chief Finance Officer (CFO).
- Manage his affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts including annexes to the Statement of Accounts.

2 The Commissioner's Chief Finance Officer's Responsibilities

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

In preparing this Statement of Account, the Commissioner's CFO has:

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

The Commissioner's CFO has also:

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

The Commissioner's 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 2014.

Responsibilities for the Statement of Accounts

3 The Chief Constable's Responsibilities

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

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

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

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

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

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

The Chief Constable's CFO has also:

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

The Chief Constable's CFO should sign and date the Chief Constable's Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2014.



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Independent Auditor's Report

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Independent Auditor's Report

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Independent Auditor's Report

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

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

Due to the size of the statements, the positions for the Group and the PCC are shown in separate tables, the figures for 2013/14 and the comparators for 2012/13 are also shown in separate tables.

- **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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

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

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

The first category of reserves are **usable reserves**, i.e. those reserves that the Commissioner may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are **unusable reserves** and relate to those that the Commissioner is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The balance sheet for the Group and PCC are shown side by side and include both 2013/14 figures and 2012/13 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 2013/14 figures and 2012/13 comparators.

Movement in Reserves Statement – Group

The figures for the group in 2013/14 are provided in the table below:

Group Figures for 2013/14	Balance at 1 April 2013	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers between usable and unusable reserves	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2013/14	Balance at 31 March 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	5,149	(37,466)	0	(37,466)	43,566	0	6,100	(6,100)	0	5,149
Earmarked Revenue Reserves	12,705	0	0	0	0	0	0	4,090	4,090	16,795
Earmarked Capital Reserves	8,860	0	0	0	0	0	0	2,010	2,010	10,870
Capital Receipts Reserve	1,188	0	0	0	(145)	0	(145)	0	(145)	1,043
Capital Grants Unapplied	3,765	0	0	0	101	0	101	0	101	3,866
Chief Constable's Police Pension Reserve	(1,010,490)	0	0	0	0	1,010,490	1,010,490	0	1,010,490	0
Chief Constable's LGPS Pension Reserve	(28,804)	0	0	0	0	28,804	28,804	0	28,804	0
Chief Constable's Accumulated Absences Account	(3,645)	0	0	0	0	3,645	3,645	0	3,645	0
Total Usable Reserves	(1,011,272)	(37,466)	0	(37,466)	43,522	1,042,939	1,048,995	0	1,048,995	37,723
Unusable Reserves										
Revaluation Reserve	7,095	0	1,884	1,884	1	0	1,885	0	1,885	8,980
Capital Adjustment Account	36,460	0	0	0	(1,305)	0	(1,305)	0	(1,305)	35,155
Police Pensions Reserve	0	0	51,350	51,350	(40,260)	(1,010,490)	(999,400)	0	(999,400)	(999,400)
LGPS Pensions Reserve	(966)	0	14,623	14,623	(2,192)	(28,804)	(16,373)	0	(16,373)	(17,339)
Collection Fund Adjustment Account	447	0	0	0	(74)	0	(74)	0	(74)	373
Accumulated Absences Account	(25)	0	0	0	308	(3,645)	(3,337)	0	(3,337)	(3,362)
Total Unusable Reserves	43,011	0	67,857	67,857	(43,522)	(1,042,939)	(1,018,604)	0	(1,018,604)	(975,593)
Total Reserves	(968,261)	(37,466)	67,857	30,391	0	0	30,391	0	30,391	(937,870)

The comparative figures for 2012/13 are provided in the table below:

Group Re-stated Figures for 2012/13	Balance at 1 April 2012	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers to other usable reserves	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2012/13	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	5,149	(1,064)	0	(1,064)	3,704	0	2,640	(2,640)	0	5,149
Earmarked Revenue Reserves	9,465	0	0	0	0	0	0	3,240	3,240	12,705
Earmarked Capital Reserves	9,460	0	0	0	0	0	0	(600)	(600)	8,860
Capital Receipts Reserve	0	0	0	0	1,188	0	1,188	0	1,188	1,188
Capital Grants Unapplied	3,338	0	0	0	427	0	427	0	427	3,765
Chief Constable's Constabulary Fund	0	(37,898)	(125,410)	(163,308)	0	163,308	0	0	0	0
Chief Constable's Police Pension Reserve	(854,730)	0	0	0	0	(155,760)	(155,760)	0	(155,760)	(1,010,490)
Chief Constable's LGPS Pension Reserve	(21,190)	0	0	0	0	(7,614)	(7,614)	0	(7,614)	(28,804)
Chief Constable's Accumulated Absences Account	(3,711)	0	0	0	0	66	66	0	66	(3,645)
Total Usable Reserves	(852,219)	(38,962)	(125,410)	(164,372)	5,319	0	(159,053)	0	(159,053)	(1,011,272)
Unusable Reserves										
Revaluation Reserve	7,755	0	(603)	(603)	(57)	0	(660)	0	(660)	7,095
Capital Adjustment Account	41,875	0	0	0	(5,415)	0	(5,415)	0	(5,415)	36,460
Police Pensions Reserve	0	0	0	0	0	0	0	0	0	0
LGPS Pensions Reserve	(712)	0	(210)	(210)	(44)	0	(254)	0	(254)	(966)
Collection Fund Adjustment Account	255	0	0	0	192	0	192	0	192	447
Accumulated Absences Account	(30)	0	0	0	5	0	5	0	5	(25)
Total Unusable Reserves	49,143	0	(813)	(813)	(5,319)	0	(6,132)	0	(6,132)	43,011
Total Reserves	(803,076)	(38,962)	(126,223)	(165,185)	0	0	(165,185)	0	(165,185)	(968,261)

Movement in Reserves Statement – PCC

The figures for the PCC Single Entity in 2013/14 are provided in the table below:

PCC Figures for 2013/14	Balance at 1 April 2013	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers between usable and unusable reserves	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2013/14	Balance at 31 March 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	5,149	4,605	0	4,605	1,495	0	6,100	(6,100)	0	5,149
Earmarked Revenue Reserves	12,705	0	0	0	0	0	0	4,090	4,090	16,795
Earmarked Capital Reserves	8,860	0	0	0	0	0	0	2,010	2,010	10,870
Capital Receipts Reserve	1,188	0	0	0	(145)	0	(145)	0	(145)	1,043
Capital Grants Unapplied	3,765	0	0	0	101	0	101	0	101	3,866
Total Usable Reserves	31,667	4,605	0	4,605	1,451	0	6,056	0	6,056	37,723
Unusable Reserves										
Revaluation Reserve	7,095	0	1,884	1,884	1	0	1,885	0	1,885	8,980
Capital Adjustment Account	36,460	0	0	0	(1,305)	0	(1,305)	0	(1,305)	35,155
LGPS Pensions Reserve	(966)	0	475	475	(72)	0	403	0	403	(563)
Collection Fund Adjustment Account	447	0	0	0	(74)	0	(74)	0	(74)	373
Accumulated Absences Account	(25)	0	0	0	(1)	0	(1)	0	(1)	(26)
Total Unusable Reserves	43,011	0	2,359	2,359	(1,451)	0	908	0	908	43,919
Total Reserves	74,678	4,605	2,359	6,964	0	0	6,964	0	6,964	81,642

The comparative figures for 2012/13 are provided in the table below:

PCC Re-stated Figures for 2012/13	Balance at 1 April 2012	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers to other usable reserves	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2012/13	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	5,149	(1,064)	0	(1,064)	3,704	0	2,640	(2,640)	0	5,149
Earmarked Revenue Reserves	9,465	0	0	0	0	0	0	3,240	3,240	12,705
Earmarked Capital Reserves	9,460	0	0	0	0	0	0	(600)	(600)	8,860
Capital Receipts Reserve	0	0	0	0	1,188	0	1,188	0	1,188	1,188
Capital Grants Unapplied	3,338	0	0	0	427	0	427	0	427	3,765
Total Usable Reserves	27,412	(1,064)	0	(1,064)	5,319	0	4,255	0	4,255	31,667
Unusable Reserves										
Revaluation Reserve	7,755	0	(603)	(603)	(57)	0	(660)	0	(660)	7,095
Capital Adjustment Account	41,875	0	0	0	(5,415)	0	(5,415)	0	(5,415)	36,460
Police Pensions Reserve	0	0	0	0	0	0	0	0	0	0
LGPS Pensions Reserve	(712)	0	(210)	(210)	(44)	0	(254)	0	(254)	(966)
Collection Fund Adjustment Account	255	0	0	0	192	0	192	0	192	447
Accumulated Absences Account	(30)	0	0	0	5	0	5	0	5	(25)
Total Unusable Reserves	49,143	0	(813)	(813)	(5,319)	0	(6,132)	0	(6,132)	43,011
Total Reserves	76,555	(1,064)	(813)	(1,877)	0	0	(1,877)	0	(1,877)	74,678

Comprehensive Income and Expenditure Statement - Group

		Group 2012/13 Gross Expenditure Re-stated £000s	Group 2012/13 Gross Income Re-stated £000s	Group 2012/13 Net Expenditure Re-stated £000s	Group 2013/14 Gross Expenditure £000s	Group 2013/14 Gross Income £000s	Group 2013/14 Net Expenditure £000s
	Notes						
Local Policing	20a	49,600	(3,324)	46,276	48,987	(1,972)	47,015
Dealing with the public	20a	7,475	(31)	7,444	7,445	(44)	7,401
Criminal justice arrangements	20a	9,354	(450)	8,904	9,133	(404)	8,729
Road policing	20a	7,109	(939)	6,170	6,953	(956)	5,997
Specialist operations	20a	4,202	(337)	3,865	4,050	(458)	3,592
Intelligence	20a	7,371	(309)	7,062	5,873	(231)	5,642
Investigations	20a	13,578	(293)	13,285	14,012	(291)	13,721
Investigative support	20a	2,907	(40)	2,867	3,142	(56)	3,086
National policing	20a	2,055	(1,833)	222	1,465	(964)	501
Corporate and democratic core	20a	1,267	0	1,267	1,172	(2)	1,170
Non distributed costs	20a	201	0	201	91	0	91
Termination Payments	27	1,134	0	1,134	671	0	671
Cost Of Services		106,253	(7,556)	98,697	102,994	(5,378)	97,616
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	6e	0	(173)	(173)	0	(80)	(80)
Transfer to Pension Fund/Pension Top Up Grant		12,058	(12,058)	0	14,758	(14,758)	0
		12,058	(12,231)	(173)	14,758	(14,838)	(80)
Financing and Investment Income and Expenditure							
Interest payable on debt		2	0	2	0	0	0
Interest element of finance leases (lessee)		1	0	1	1	0	1
Interest payable on PFI unitary payments		677	0	677	668	0	668
Net Interest on the net defined pension benefit liability	15	46,331	(3,531)	42,800	48,187	(3,550)	44,637
Investment property rental income		0	(7)	(7)	0	(10)	(10)
Investment interest income		0	(104)	(104)	0	(148)	(148)
		47,011	(3,642)	43,369	48,856	(3,708)	45,148
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	29	0	(1,059)	(1,059)	0	(889)	(889)
Income from Council Tax	30	0	(35,782)	(35,782)	0	(32,867)	(32,867)
Council Tax Grant (Freeze & Support)		0	(858)	(858)	0	(4,944)	(4,944)
DCLG Formula Funding	29	0	(33,337)	(33,337)	0	(33,939)	(33,939)
Revenue Support Grant	29	0	(663)	(663)	0	0	0
Home Office Police Grant	29	0	(30,544)	(30,544)	0	(31,891)	(31,891)
PFI Grant	29	0	(688)	(688)	0	(688)	(688)
		0	(102,931)	(102,931)	0	(105,218)	(105,218)
(Surplus) or Deficit on Provision of Services		165,322	(126,360)	38,962	166,608	(129,142)	37,466
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation gains				(4)			(2,173)
Revaluation losses (chargeable to revaluation reserve)				607			289
Impairment losses (chargeable to revaluation reserve)				0			0
Remeasurement of the net defined pension benefit liability/asset	15			125,620			(65,973)
Other Comprehensive Income and Expenditure				126,223			(67,857)
Total Comprehensive Income and Expenditure				165,185			(30,391)

Comprehensive Income and Expenditure Statement - PCC

		PCC 2012/13 Gross Expenditure Re-stated £000s	PCC 2012/13 Gross Income Re-stated £000s	PCC 2012/13 Net Expenditure Re-stated £000s	PCC 2013/14 Gross Expenditure £000s	PCC 2013/14 Gross Income £000s	PCC 2013/14 Net Expenditure £000s
	Notes						
Local Policing	20a	9,243	(10,277)	(1,034)	8,250	(7,836)	414
Dealing with the public	20a	1,393	(97)	1,296	1,254	(175)	1,079
Criminal justice arrangements	20a	1,743	(1,393)	350	1,538	(1,606)	(68)
Road policing	20a	1,325	(2,903)	(1,578)	1,171	(3,799)	(2,628)
Specialist operations	20a	783	(1,041)	(258)	682	(1,819)	(1,137)
Intelligence	20a	1,374	(955)	419	989	(918)	71
Investigations	20a	2,530	(908)	1,622	2,360	(1,158)	1,202
Investigative support	20a	542	(123)	419	529	(223)	306
National policing	20a	383	(5,668)	(5,285)	247	(3,832)	(3,585)
Corporate and democratic core	20a	991	0	991	873	(2)	871
Non distributed costs	20a	6	0	6	3	0	3
Funding Provided by PCC to CC		106,618		106,618	103,613	0	103,613
Cost Of Services		126,931	(23,365)	103,566	121,509	(21,368)	100,141
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	6e	0	(173)	(173)	0	(80)	(80)
Transfer to Pension Fund/Pension Top Up Grant		12,058	(12,058)	0	14,758	(14,758)	0
		12,058	(12,231)	(173)	14,758	(14,838)	(80)
Financing and Investment Income and Expenditure							
Interest payable on debt		2	0	2	0	0	0
Interest element of finance leases (lessee)		1	0	1	1	0	1
Interest payable on PFI unitary payments		677	0	677	668	0	668
Net Interest on the net defined benefit liability (asset)	15	148	(115)	33	156	(115)	41
▲ Investment property rental income		0	(7)	(7)	0	(10)	(10)
▲ Investment interest income		0	(104)	(104)	0	(148)	(148)
		828	(226)	602	825	(273)	552
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	29	0	(1,059)	(1,059)	0	(889)	(889)
Income from Council Tax	30	0	(35,782)	(35,782)	0	(32,867)	(32,867)
Council Tax Grant (Freeze & Support)		0	(858)	(858)	0	(4,944)	(4,944)
DCLG Formula Funding	29	0	(33,337)	(33,337)	0	(33,939)	(33,939)
Revenue Support Grant	29	0	(663)	(663)	0	0	0
Home Office Police Grant	29	0	(30,544)	(30,544)	0	(31,891)	(31,891)
PFI Grant	29	0	(688)	(688)	0	(688)	(688)
		0	(102,931)	(102,931)	0	(105,218)	(105,218)
(Surplus) or Deficit on Provision of Services		139,817	(138,753)	1,064	137,092	(141,697)	(4,605)
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation gains				(4)			(2,173)
Revaluation losses (chargeable to revaluation reserve)				607			289
Impairment losses (chargeable to revaluation reserve)				0			0
Remeasurement of the net defined pension benefit liability/asset	15			210			(475)
Other Comprehensive Income and Expenditure				813			(2,359)
Total Comprehensive Income and Expenditure				1,877			(6,964)

Balance Sheet – PCC & Group

		PCC 31 March 2013 Re-stated £000s	PCC 31 March 2014 £000s	Group 31 March 2013 Re-stated £000s	Group 31 March 2014 £000s
	Notes				
Property, Plant & Equipment	6				
Land and Buildings	6	51,203	52,681	51,203	52,681
Vehicles	6	2,289	2,003	2,289	2,003
Information Technology Equipment	6	5,332	4,900	5,332	4,900
Furniture, Equipment & Plant	6	525	457	525	457
Assets Under Construction (Land & Buildings)	6	120	709	120	709
Investment Properties		100	100	100	100
		59,569	60,850	59,569	60,850
Intangible Assets - Software	8	1,261	643	1,261	643
Long Term Investments (Non Property)		0	0	0	0
Long Term Assets		60,830	61,493	60,830	61,493
Short Term Investments	11	7,603	13,636	7,603	13,636
Assets held for sale (within 1yr)	10	416	0	416	0
Inventories		0	0	302	326
Short Term Debtors (external)	12	9,051	8,936	9,051	8,936
Short Term Debtors (amounts owed to PCC by CC re CC share of external Creditors)	12	7,920	8,211	0	0
Short Term Debtors (funding balance owed to PCC by CC)	12	2,960	3,204	0	0
Cash and Cash Equivalents	CF4	10,680	11,310	10,680	11,310
Current Assets		38,630	45,297	28,052	34,208
Short Term Creditors (external)	13	(10,189)	(10,733)	(10,189)	(10,733)
Short Term Creditors (amounts owed by PCC to CC re CC share of external debtors)	13	(2,760)	(2,986)	0	0
Short Term Creditors (funding balance due from PCC to CC)	13	(5,428)	(5,557)	0	0
PFI Finance Lease Liability Due within 1 Year	16	(76)	(86)	(76)	(86)
Finance Lease Liability Due within 1 Year		(9)	(3)	(9)	(3)
Current Liabilities		(18,462)	(19,365)	(10,274)	(10,822)
Provisions	14	(45)	0	(1,300)	(790)
Other Long Term Liabilities					
Pensions liability - Police	15	0	0	(1,010,490)	(999,400)
Pensions liability - LGPS	15	(966)	(563)	(29,770)	(17,339)
PFI Finance Lease Liability	16	(5,306)	(5,220)	(5,306)	(5,220)
Finance Lease Liability		(3)	0	(3)	0
Long Term Liabilities		(6,320)	(5,783)	(1,046,869)	(1,022,749)
Net Assets		74,678	81,642	(968,261)	(937,870)
Usable reserves					
Police Fund		5,149	5,149	5,149	5,149
Earmarked reserves (revenue)	5	12,705	16,795	12,705	16,795
Earmarked reserves (capital)	5	8,860	10,870	8,860	10,870
Capital Receipts Reserve	4	1,188	1,043	1,188	1,043
Capital Grants Unapplied	4	3,765	3,866	3,765	3,866
Chief Constable's Police Pension Reserve	19c	0	0	(1,010,490)	0
Chief Constables LGPS Pension Reserve	19c	0	0	(28,804)	0
Chief Constable's Accumulated Absences Account	19d	0	0	(3,645)	0
		31,667	37,723	(1,011,272)	37,723
Unusable Reserves	19				
Revaluation Reserve	19a	7,095	8,980	7,095	8,980
Capital Adjustment Account	19b	36,460	35,155	36,460	35,155
Pensions Reserve - Police	19e	0	0	0	(999,400)
Pensions Reserve - LGPS	19e	(966)	(563)	(966)	(17,339)
Collection Fund Adjustment Account	19c	447	373	447	373
Accumulated Absences Account	19d	(25)	(26)	(25)	(3,362)
		43,011	43,919	43,011	(975,593)
Total Reserves		74,678	81,642	(968,261)	(937,870)

Cash Flow Statement – PCC & Group

	See Note	PCC 2012/13 Re-stated £000s	PCC 2013/14 £000s	Group 2012/13 Re-stated £000s	Group 2013/14 £000s
	Below				
Net (Surplus) or Deficit on the provision of services		1,064	(4,605)	38,962	37,466
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(8,335)	(4,307)	(46,233)	(46,378)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	CF2	1,343	459	1,343	459
Net cash flows from Operating Activities	CF3	(5,928)	(8,453)	(5,928)	(8,453)
Investing Activities	CF4	(274)	7,737	(274)	7,737
Financing Activities	CF5	140	86	140	86
Net (increase) or decrease in cash and cash equivalents		(6,062)	(630)	(6,062)	(630)
Cash and cash equivalents at the beginning of the reporting period		(4,618)	(10,680)	(4,618)	(10,680)
Cash and cash equivalents at the end of the reporting period	CF6	(10,680)	(11,310)	(10,680)	(11,310)
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		(5,395)	(5,032)	(5,395)	(5,032)
Impairment & Downward Valuations		(2,993)	500	(2,993)	500
Carrying amount of non current assets - sold		(1,205)	(416)	(1,205)	(416)
Grants applied to the financing of cap exp		1,059	889	1,059	889
Pension Liability (Contributions to/from Pensions Reserve)		(45)	(71)	(38,008)	(42,452)
Creditors - Change in Balance Sheet		549	(544)	549	(544)
Creditors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		(149)	226	(149)	226
Creditors - Adjustment re CC Share of Debtors		44	(226)	0	0
Creditors - Adjustment re Balance of Funding due from PCC to CC		(845)	(129)	0	0
Debtors - Change in Balance Sheet		312	(115)	312	(115)
Debtors - Change in Balance Sheet (Adjustment for Investment Interest)		(81)	33	(81)	33
Debtors - Adjustment re CC Share of Creditors		460	291	0	0
Debtors - Adjustment re Balance of Funding due from CC to PCC		(2)	243	0	0
Stock - Change in Balance Sheet		0	0	12	24
Provisions - Change in Balance Sheet		(44)	44	(334)	509
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(8,335)	(4,307)	(46,233)	(46,378)

Cash Flow Statement – PCC & Group

	See Note Below	PCC 2012/13 Re-stated £000s	PCC 2013/14 £000s	Group 2012/13 Re-stated £000s	Group 2013/14 £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 PPE and Intangibles		1,343	459	1,343	459
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,343	459	1,343	459
CF3 - The cash flows from <i>Operating Activities</i> include the following items:					
Interest received		(193)	(107)	(193)	(107)
Interest Paid		680	(669)	680	669
CF4 - The cash flows from <i>Investing Activities</i> are made up as follows:					
Purchase of property, plant and equipment and intangible assets		4,028	3,085	4,028	3,085
Purchase of short-term and long-term investments		104,300	71,300	104,300	71,300
Proceeds from the sale of property, plant and equipment and intangible assets		(1,343)	(459)	(1,343)	(459)
Proceeds from short-term and long-term investments		(106,200)	(65,300)	(106,200)	(65,300)
Other receipts from investing activities		(1,059)	(889)	(1,059)	(889)
Net cash flows from investing activities		(274)	7,737	(274)	7,737
CF5 - The cash flows from <i>Financing Activities</i> are made up as follows:					
Cash receipts of short and long-term borrowing		0	0	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		77	86	77	86
Repayment of short and long-term borrowing		63	0	63	0
Net cash flows from financing activities		140	86	140	86
CF6 - The balance of <i>Cash and Cash Equivalents</i> is made up as follows:					
Bank current accounts		(21)	(16)	(21)	(16)
Short-term deposit with bank (overnight)		(2,555)	(89)	(2,555)	(89)
Investments in Money Market Funds (available on demand)		(8,104)	(11,205)	(8,104)	(11,205)
Total Cash and Cash Equivalents		(10,680)	(11,310)	(10,680)	(11,310)

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 2013/14 will be highlighted, whilst the comparatives for 2012/13 (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 91-93. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in pages 94 to 109 of this document, the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for policing. However, the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Commissioner is deemed to control the services provided under the PFI agreement in relation to the West Cumbria TPA HQ at Workington. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement. The Commissioner has a number of options regarding ownership of the PFI building beyond the initial 25 year contract period including the right to purchase the asset for half of its market value at that time. In 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 £7.7m. In addition, a liability for outstanding obligations to pay for the building, which includes the cost of purchasing the asset for half its construction cost at the end of the PFI period are also shown on the balance sheet. As the PFI contract approaches its end it may be necessary to reflect an additional liability to recognise that the market value of the asset may exceed the construction cost.

2 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Commissioner's Chief Finance Officer on 22 September 2014. Events taking place after this date are not reflected in the financial statements or notes.

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

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

The items in the Commissioner's group balance sheet as at 31 March 2014 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
<u>Debtors</u>	At 31 March 2014 the Commissioner had a balance of debtors invoices raised of £698k. A review of significant balances suggested that an <u>impairment</u> of doubtful debts of £4k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £4k to set aside as an allowance.

Notes to the Accounts

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>The current economic climate makes it uncertain that the Commissioner will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <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>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £26k for every year that useful lives had to be reduced.</p> <p>Revaluation gains and losses or disposal proceeds in future years may be significantly different than anticipated. However, as all land and building assets are subject to an impairment review in the year, the impact of this is thought to be immaterial.</p>
Provisions	The Commissioner has made a provision of £495k 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 Commissioner.	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 £50k to the provision needed.
	The Commissioner has made a provision of £45k in respect of termination costs (redundancy and additional pensions) in respect of redundancies to which the Constabulary had made an offer and could no longer withdraw as at 31 March 2014 which will take place in 2014/15.	<p>Throughout the period of re-organisation, termination costs have been met from the Management of Change Reserve established for this purpose, any increase in the costs of termination (over and above that in the provision) will be met from the reserve.</p> <p>Any increase or decrease in the actual amount paid compared to the established provision will fall to the revenue budget for 2014/15.</p>
	The Commissioner has made a provision of £250k in respect of legal claims that are currently ongoing.	Any increase or decrease in the actual liability will need to be met from the revenue budget.
Pensions Liability	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).	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 note 15c (pages 56- 57).

Notes to the Accounts

4 Adjustments between Accounting Basis and Funding Basis under Regulations

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

The figures for the Group for 2013/14 are set out in the table below:

	Note	Group Police Fund Balance	Group Capital Receipts Reserve	Group Capital Grants Unapplied	Group Total Usable Reserves	Group Total Unusable Reserves	Group Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,395	0	0	4,395	(4,395)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	(500)	0	0	(500)	500	0
Amortisation of intangible assets	8	637	0	0	637	(637)	0
Capital grants and contributions applied	19b	(49)	0	0	(49)	49	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6e/10	416	0	0	416	(416)	0
Statutory provision for the financing of capital investment	32a	(383)	0	0	(383)	383	0
Capital expenditure charged against the Police Fund	32a	(1,873)	0	0	(1,873)	1,873	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(840)	0	840	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	19b	0	0	(739)	(739)	739	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(458)	458	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	32a	0	(600)	0	(600)	600	0
Contribution from the Capital Receipts Reserve towards administration costs of non current asset disposals	6e/20f	3	(3)	0	0	0	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES	15a/19e	71,035	0	0	71,035	(71,035)	0
Employer's pension contributions and direct payments to pensioners payable in the year	15a/19e	(28,583)	0	0	(28,583)	28,583	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	19c/30	74	0	0	74	(74)	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19d	(308)	0	0	(308)	308	0
Total Adjustments		43,566	(145)	101	43,522	(43,522)	0

Notes to the Accounts

The comparative figures for the Group for 2012/13 are set out in the table below:

	Note	Group Police Fund Balance	Group Capital Receipts Reserve	Group Capital Grants Unapplied	Group Total Usable Reserves	Group Total Unusable Reserves	Group Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,692	0	0	4,692	(4,692)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	2,993	0	0	2,993	(2,993)	0
Amortisation of intangible assets	8	703	0	0	703	(703)	0
Capital grants and contributions applied	19b	(122)	0	0	(122)	122	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6e/10	1,204	0	0	1,204	(1,204)	0
Statutory provision for the financing of capital investment	32a	(377)	0	0	(377)	377	0
Capital expenditure charged against the Police Fund	32a	(2,972)	0	0	(2,972)	2,972	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(937)	0	937	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	19b	0	0	(510)	(510)	510	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(1,343)	1,343	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	32a	0	(139)	0	(139)	139	0
Contribution from the Capital Receipts Reserve towards administration costs of non current asset disposals	6e/20f	16	(16)	0	0	0	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	15a/19e	141	0	0	141	(141)	0
Employer's pension contributions and direct payments to pensioners payable in the year	15a/19e	(97)	0	0	(97)	97	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	19c/30	(192)	0	0	(192)	192	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19d	(5)	0	0	(5)	5	0
Total Adjustments		3,704	1,188	427	5,319	(5,319)	0

Notes to the Accounts

The figures for the PCC for 2013/14 are set out in the table below:

	Note	PCC Police Fund Balance	PCC Capital Receipts Reserve	PCC Capital Grants Unapplied	PCC Total Usable Reserves	PCC Total Unusable Reserves	PCC Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,395	0	0	4,395	(4,395)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	(500)	0	0	(500)	500	0
Amortisation of intangible assets	8	637	0	0	637	(637)	0
Capital grants and contributions applied	19b	(49)	0	0	(49)	49	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6e/10	416	0	0	416	(416)	0
Statutory provision for the financing of capital investment	32a	(383)	0	0	(383)	383	0
Capital expenditure charged against the Police Fund	32a	(1,873)	0	0	(1,873)	1,873	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(840)	0	840	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	19b	0	0	(739)	(739)	739	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(458)	458	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	32a	0	(600)	0	(600)	600	0
Contribution from the Capital Receipts Reserve towards administration costs of non current asset disposals	6e/20f	3	(3)	0	0	0	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	15a/19e	168	0	0	168	(168)	0
Employer's pension contributions and direct payments to pensioners payable in the year	15a/19e	(96)	0	0	(96)	96	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	19c/30	74	0	0	74	(74)	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19d	1	0	0	1	(1)	0
Total Adjustments		1,495	(145)	101	1,451	(1,451)	0

Notes to the Accounts

The comparative figures for the PCC for 2012/13 are set out in the table below:

	Note	PCC Police Fund Balance	PCC Capital Receipts Reserve	PCC Capital Grants Unapplied	PCC Total Usable Reserves	PCC Total Unusable Reserves	PCC Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,692	0	0	4,692	(4,692)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	2,993	0	0	2,993	(2,993)	0
Amortisation of intangible assets	8	703	0	0	703	(703)	0
Capital grants and contributions applied	19b	(122)	0	0	(122)	122	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6e/10	1,204	0	0	1,204	(1,204)	0
Statutory provision for the financing of capital investment	32a	(377)	0	0	(377)	377	0
Capital expenditure charged against the Police Fund	32a	(2,972)	0	0	(2,972)	2,972	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(937)	0	937	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	19b	0	0	(510)	(510)	510	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(1,343)	1,343	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	32a	0	(139)	0	(139)	139	0
Contribution from the Capital Receipts Reserve towards administration costs of non current asset disposals	6e/20f	16	(16)	0	0	0	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	15a/19e	141	0	0	141	(141)	0
Employer's pension contributions and direct payments to pensioners payable in the year	15a/19e	(97)	0	0	(97)	97	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	19c/30	(192)	0	0	(192)	192	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19d	(5)	0	0	(5)	5	0
Total Adjustments		3,704	1,188	427	5,319	(5,319)	0

5 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Police Fund balances in [earmarked reserves](#) to provide financing for future expenditure plans and the amounts credited to earmarked reserves to meet Police Fund expenditure in 2013/14 (and for 2012/13).

	PCC/Group Balance at 01/04/12 £000s	PCC/Group Reserves Combined 2012/13 £000s	PCC/Group Transfers Out 2012/13 £000s	PCC/Group Transfers In 2012/13 £000s	PCC/Group Balance at 31/03/13 £000s	PCC/Group Transfers Out 2013/14 £000s	PCC/Group Transfers In 2013/14 £000s	PCC/Group Balance at 31/03/14 £000s
Insurance	546	0	(103)	0	443	(47)	98	494
Management of Change	1,627	0	(1,117)	1,500	2,010	(333)	0	1,677
Operational Contingency	200	0	0	50	250	0	0	250
PFI Reserve	1,320	0	0	240	1,560	0	0	1,560
PFI Lifecycle Replacement 1	108	0	(11)	0	97	(41)	0	56
PFI Lifecycle Replacement 2	207	0	0	50	257	0	0	257
Police and Crime Commissioner	150	0	0	0	150	0	100	250
Police and Crime Commissioner Transition	208	0	(109)	120	219	(151)	11	79
Equalisation Reserve	1,422	(1,422)	0	0	0	0	0	0
Investment Fund	0	3,337	0	2,943	6,280	0	3,000	9,280
Past Service Cost (LGPS)	0	0	0	0	0	0	196	196
Airwave	250	(220)	(30)	0	0	0	0	0
Chief Constables Reserve	289	(289)	0	0	0	0	0	0
Future Pensions Liability	153	(153)	0	0	0	0	0	0
Health & Safety	138	(138)	0	0	0	0	0	0
Incentivisation Harmonisation	31	(31)	0	0	0	0	0	0
Mobile Data Project	300	0	(89)	0	211	(96)	0	115
Police National Database	383	(370)	0	0	13	0	0	13
Public Holiday	64	0	0	0	64	0	150	214
Risk Management Initiatives	175	(175)	0	0	0	0	0	0
Budget Holders Funds	1,894	(539)	(463)	259	1,151	(433)	1,636	2,354
Total Revenue Reserves	9,465	0	(1,922)	5,162	12,705	(1,101)	5,191	16,795
Capital Reserve	9,460	0	(600)	0	8,860	0	2,010	10,870

A narrative description of the purpose of each of the [earmarked reserves](#) is provided below for information:

- Insurance – to offset any insurance claims not specifically detailed in the insurance [provision](#).
- Management of Change – to help manage significant organisational change.
- Operational [Contingency](#) – to provide resources both to back up the annual operational contingency and, in addition, to assist in funding unexpected major events, if necessary.
- PFI [Reserves](#) – to equalise the impact on the Comprehensive Income and Expenditure Statement of changing levels of grant income and charges over the period of the contract
- Police and Crime Commissioner – to provide a dedicated reserve for the Commissioner’s responsibilities.
- Police and Crime Commissioner Transition – to help manage the potential costs associated with the transition to Police Commissioners.
- Investment Fund – to invest in initiatives such as technology, equipment and training to meet the Commissioner’s priorities and to increase the productivity of the Constabulary. Revenue Underspends amounting to £3m were added to this reserve during the year.
- Past Service Cost LGPS – reserve established in 2013/14 to be used to help meet additional past service costs chargeable in 2014/15 as a result of the decision to pay 3 years contribution upfront in order to generate a saving.
- Mobile Data – to support the roll out in relation to the use, benefits and efficiencies offered by the use of mobile data.
- Police National Database - to offset the revenue costs associated with the implementation of the Police National Database system.
- Public Holiday - to smooth peaks in overtime expenditure due when bank holidays fall across financial years.
- Budget Holders Funds –to support a variety of locally managed initiatives arising from unspent balances in previous years, granted under the scheme of devolved resource management.
- Capital [Reserve](#) – direct contributions from revenue 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).

6 Property, Plant and Equipment

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

	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	PFI Assets Included in P.P.E. £000s
Cost or Valuation							
At 1 April 2013	53,036	8,182	21,580	2,892	120	85,810	7,576
Reclassification Adjustment	0	0	66	0	0	66	0
Additions	0	636	1,524	58	589	2,807	0
Enhancements	418	0	0	0	0	418	0
Revaluation increases/(decreases)	490	0	0	0	0	490	200
recognised in the Revaluation Reserve							
Revaluation increases/(decreases)	106	0	0	0	0	106	0
recognised in the Surplus/Deficit on the Provision of Services							
Derecognition - Disposals	0	(995)	0	0	0	(995)	0
Derecognition - Other	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0
At 31 March 2014	54,050	7,823	23,170	2,950	709	88,702	7,776
Accumulated Depreciation & Impairment							
At 1 April 2013	(1,833)	(5,893)	(16,248)	(2,367)	0	(26,341)	(406)
Adjustment to Opening Balance	0	0	0	0	0	0	0
Depreciation Charge	(1,324)	(922)	(2,023)	(126)	0	(4,395)	(164)
Depreciation on Disposals	0	995	0	0	0	995	0
Depreciation written out to the Revaluation Reserve	1,394	0	0	0	0	1,394	388
Depreciation written out to the Surplus/Deficit on the Provision of Services	394	0	0	0	0	394	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Depreciation as at 31 March 2014	(1,369)	(5,820)	(18,271)	(2,493)	0	(27,953)	(182)
Net Book Value							
At 31 March 2014	52,681	2,003	4,899	457	709	60,749	7,594
At 31 March 2013	51,203	2,289	5,332	525	120	59,469	7,170

Notes to the Accounts

The comparative figures for 2012/13 are set out in the table below:

	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture & Equipment £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets Included in P.P.E. £000s
Cost or Valuation							
At 1 April 2012	57,354	7,810	20,278	2,805	339	88,586	7,576
Adjustment to Opening Balance	0	0	0	0	0	0	0
Additions	310	988	1,302	87	796	3,483	0
Enhancements	155	0	0	0	0	155	0
Revaluation increases/(decreases)	(1,061)	(616)	0	0	0	(1,677)	0
recognised in the Revaluation Reserve							
Revaluation increases/(decreases)	(2,237)	0	0	0	0	(2,237)	0
recognised in the Surplus/Deficit on the Provision of Services							
Derecognition - Disposals	0	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	(2,500)	0	0	0	0	(2,500)	0
Other movements in cost or valuation	1,015	0	0	0	(1,015)	0	0
At 31 March 2013	53,036	8,182	21,580	2,892	120	85,810	7,576
Accumulated Depreciation & Impairment							
At 1 April 2012	(1,178)	(5,536)	(13,993)	(2,221)	0	(22,928)	(243)
Adjustment to Opening Balance	0	0	0	0	0	0	0
Depreciation Charge	(1,318)	(973)	(2,255)	(146)	0	(4,692)	(163)
Depreciation on Disposals	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	458	616	0	0	0	1,074	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	132	0	0	0	0	132	0
Assets reclassified (to)/from Held for Sale	73	0	0	0	0	73	0
Depreciation as at 31 March 2013	(1,833)	(5,893)	(16,248)	(2,367)	0	(26,341)	(406)
Net Book Value							
At 31 March 2013	51,203	2,289	5,332	525	120	59,469	7,170
At 31 March 2012	56,176	2,274	6,285	584	339	65,658	7,333

Notes to the Accounts

6.a Valuations Rolling Programme

The Commissioner carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at [fair value](#) is revalued at least every five years. Valuations of land and buildings are carried out on behalf of the Commissioner by Mr. C. Smith Bsc MRICS of Carigiet Cowen and were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on historic cost as a proxy for fair value. The basis of the valuations is set out in the statement of accounting policies on page 102. The table below sets out details of the land and buildings valuations undertaken over the five year rolling programme.

	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture Equipment & Plant £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s
Carried at Historical Cost	202	7,823	23,170	2,721	709	34,625
Valued at Fair Value as at:						
- 31 March 2014	38,075	0	0	0	0	38,075
- 31 March 2013	8,115	0	0	0	0	8,115
- 31 March 2012	6,586	0	0	229	0	6,815
- 31 March 2011	510	0	0	0	0	510
- 31 March 2010	562	0	0	0	0	562
Total Cost or Valuation	54,050	7,823	23,170	2,950	709	88,702

6.b Impairment Review

The Commissioner's professional valuer, Mr. C. Smith of Carigiet Cowen, has made an assessment of the possible effects of material [impairment](#) to land and buildings during the financial year. His assessment was based on a number of specific criteria, which, in his opinion, could affect the valuation of assets. The outcome of the assessment process is that the valuer has concluded that there are no impairments.

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

A brief analysis of the Commissioner's principal assets as at 31 March 2014 is set out below:

	PCC/Group As at 31 March	
	2013 Number	2014 Number
HQ, TPA HQ & Larger Police Stations	9	9
Other Police Stations	13	13
Police Houses and other Properties	16	16
Surplus Properties/ Held for Sale/ Investment Properties	3	1
Vehicles	387	375
Total	428	414

6.d Effects of Changes in Estimates

There have been no material changes in estimates in the 2013/14 accounts.

Notes to the Accounts

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

The table below analyses the (gain)/loss on sale of property, plant and equipment for the year ended 31 March 2014.

	Net Book Value £000s	PCC/Group		
		Costs of Sale £000s	Proceeds of Sale £000s	(Gain) / Loss £000s
Land and Buildings	416	3	(448)	(29)
Vehicles	0	8	(59)	(51)
Total	416	11	(507)	(80)

The comparative figures for 2012/13 are set out in the table below:

	Net Book Value £000s	PCC/Group		
		Costs of Sale £000s	Proceeds of Sale £000s	(Gain) / Loss £000s
Land and Buildings	1,205	15	(1,323)	(103)
Vehicles	0	18	(88)	(70)
Total	1,205	33	(1,411)	(173)

Note in 2013/14 £49k (£68k in 2012/13) of receipts from proceeds of sale included in the above table were individually below the £10k threshold for recognition as [capital receipts](#) and have therefore been treated as revenue income. This explains why the capital receipts recorded in note 4 show £458k (£1,343k in 2012/13) rather than £507k (£1,411k in 2012/13) as above.

7 Capital Commitments

The Commissioner has outstanding contractual commitments amounting to £8,470k in respect of a number of schemes from the 2013/14 capital programme (£235k in 2012/13). The capital budget outturn report for 2013/14 was presented to the Commissioner's Executive Board on 04 June 2014 and is available on the Commissioner's website.

Outstanding Capital Commitments	PCC/Group As at 31 March	
	2013 £000s	2014 £000s
Finance and Business Systems Upgrade Project	0	20
HQ Roof Repairs	0	113
Integrated Command and Control System	195	195
Radio Replacements	0	174
South Estate - Barrow	0	7,536
STORM (Command & Control System)	26	26
Vehicle Replacement	14	406
Total	235	8,470

8 Intangible Assets

The Commissioner accounts for his computer software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item within Property, Plant and Equipment. The intangible assets include computer software development and acquisitions. All software is given a finite useful life (5 years), based on assessments of the period that the software is expected to be of use to the Commissioner. The carrying amount of intangible assets is amortised on a straight line basis and is charged to the Comprehensive Income and Expenditure Statement.

A summary of the movements in intangible assets during the year and the position as at 31 March 2014 (with comparatives for 2012/13) is set out in the table below:

	PCC/Group	
	2012/13 £000s	2013/14 £000s
Balance at start of year		
- Gross carrying amount	4,756	4,997
- Accumulated amortisation	(3,033)	(3,736)
Net carrying amount at start of year	1,723	1,261
Reclassification Adjustment	0	(66)
Additions	241	86
Disposals	0	0
Amortisations for the period	(703)	(637)
Amortisation adjustment re disposals	0	0
Net carrying amount at end of year	1,261	643
Comprising		
- Gross carrying amount	4,997	5,017
- Accumulated amortisation	(3,736)	(4,374)
	1,261	643

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

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

Allocation of Amortisation	PCC/Group	
	2012/13 £000s	2013/14 £000s
Local Policing	317	287
Dealing with the Public	76	69
Criminal Justice Arrangements	79	72
Road Policing	46	42
Specialist Operations	22	20
Intelligence	48	43
Specialist Investigations	89	81
Investigative Support	18	16
National Policing	8	7
	703	637

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

9 Heritage Assets

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

The code requires Heritage Assets, which are maintained principally for their contribution to knowledge or culture, to be separately disclosed.

The Commissioner holds a small number of historical ephemera relating to policing in Cumbria which would fall under the definition of heritage assets including: a ceremonial chair, four antique firearms, several trophies, a commemorative plaque, two ceremonial swords and four portraits.

In the opinion of the Commissioner the assets do not have a material intrinsic value in the context of the Commissioner's accounts. Due to their historical origin no cost or valuation information is available and because of their diverse nature specialist valuations would be required to obtain a reliable estimate of their value. The Commissioner is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefits gained and therefore no values are included in the Commissioner's balance sheet.

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 2013/14 with comparative information for 2012/13.

	PCC/Group As at 31 March	
	2013 £000s	2014 £000s
Balance outstanding at start of year	181	416
Newly classified as held for sale	2,427	0
Revaluation gains/(losses)	(942)	0
Reversal of Impairment losses	72	0
Assets sold	(1,204)	(416)
De-classified as held for sale	(118)	0
Balance outstanding at end of year	416	0

11 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.*

11.a Categories of Financial Instrument

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

	PCC Long Term		PCC Current		Group Long Term		Group Current	
	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s
Financial Assets								
Investments								
Loans and receivables	0	0	7,603	13,636	0	0	7,603	13,636
Debtors								
Financial assets carried at contract amounts	0	0	4,467	4,285	0	0	4,603	4,393
Total Financial Assets	0	0	12,070	17,921	0	0	12,206	18,029
Financial Liabilities								
Creditors								
Financial liabilities carried at contract amounts	0	0	(1,264)	(1,497)	0	0	(7,431)	(8,796)
Other Long-term Liability (PFI/Finance Lease)								
PFI & Finance Lease Liabilities	(5,309)	(5,220)	(85)	(89)	(5,309)	(5,220)	(85)	(89)
Total Financial Liabilities	(5,309)	(5,220)	(1,349)	(1,586)	(5,309)	(5,220)	(7,516)	(8,885)

11.b Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2013/14 relating to financial instruments are made up as follows:

	PCC/Group 2012/13				PCC/Group 2013/14			
	Financial Liabilities Held at amortised cost £000s	Financial Liabilities PFI/Finance Lease £000s	Financial Assets Loans & Receivables £000s	Total £000s	Financial Liabilities Held at amortised cost £000s	Financial Liabilities PFI/Finance Lease £000s	Financial Assets Loans & Receivables £000s	Total £000s
Interest Expense	2	678	0	680	0	669	0	669
Impairment Losses (Bad Debts Provision Increase)	0	0	0	0	(2)	0	0	(2)
Total Expenses in (Surplus) or Deficit on the Provision of Services	2	678	0	680	(2)	669	0	667
Interest Income	0	0	(104)	(104)	0	0	(148)	(148)
Impairment Gain (Bad Debts Provision Reduction)	(1)	0	0	(1)	0	0	0	0
Total Income in (Surplus) or Deficit on the Provision of Services	(1)	0	(104)	(105)	0	0	(148)	(148)
Net (Gain)/Loss for the Year	1	678	(104)	575	(2)	669	(148)	519

11.c Fair value of Assets and Liabilities Carried at Amortised Cost

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

- Estimated interest rates at 31 March 2014 of 5% 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:

	PCC 31 March 2013		PCC 31 March 2014		Group 31 March 2013		Group 31 March 2014	
	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	(1,264)	(1,264)	(1,497)	(1,497)	(7,431)	(7,431)	(8,796)	(8,796)
Other Long-term Liabilities (PFI/Finance Lease)	(5,394)	(10,060)	(5,309)	(9,960)	(5,394)	(10,060)	(5,309)	(9,960)
	(6,658)	(11,324)	(6,806)	(11,457)	(12,825)	(17,491)	(14,105)	(18,756)
Financial Assets								
Investments	7,603	7,603	13,636	13,636	7,603	7,603	13,636	13,636
Debtors	4,467	4,467	4,285	4,285	4,603	4,603	4,393	4,393
	12,070	12,070	17,921	17,921	12,206	12,206	18,029	18,029

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.

11.d 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:

www.cumbria-pcc.gov.uk/media/25573/Treasury%20Management%20Strategy%20Statement%202014-15.pdf

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 2013), also imposes a maximum sum to be invested with a financial institution located within each category. An amendment to the TMSS was subsequently approved in June 2013 in light of revisions to the cash flow forecasts, which indicated that average balances available for investment would be higher than anticipated, the change increased the maximum amounts which could be invested with individual financial institutions and classes of financial institutions. All other investment criteria remained unchanged.

The credit criteria as set out in the 2013/14 TMSS (and amendments approved in June 2013) 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	Short Term: F1/P1 Long Term: A-/A1 Support Rating: 3	The lower of £3m (per institution or group). Maximum of all deposits £12m. <i>June 2013 increased to £4.5m and £18m respectively.</i>
Deposits with Money Market Funds	Long Term: AAA	£2m per fund. Maximum of all deposits £10m. <i>June 2013 increased to £3m and £15m respectively.</i>
Deposits with Other Local Authorities	Not credit rated but are legally required to set a balanced budget.	£2m per authority. Maximum of all deposits – No Limit.
Deposits with Debt Management Agency Deposit Facility	Not credit rated but deposits have the best possible credit through the HM Government guarantee	No limit.

In February 2014, the annual update to the TMSS was agreed by the Commissioner. At which point, the minimum investment criteria outlined in the table above was reduced from institutions with a minimum short term credit rating of F1 to F2. The change was largely as a result of improved stability in economic conditions, the fact that most banks have had their credit ratings downgraded and the view of the Commissioner's treasury advisors that an F2 risk profile would represent a prudent level of risk. The agreed revised strategy for 2014/15 was implemented with immediate effect for the remainder of 2013/14.

The Commissioner's maximum exposure to credit risk in relation to its investments in banks, building societies and other Local Authority's of £14m 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 2014 that this was likely to happen.

Notes to the Accounts

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.

PCC/Group	Amount at 31/03/14 £000s	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31/03/14	Estimated maximum exposure to default and uncollectability £000s	Comparative Estimated maximum exposure at 31/03/13 £000s
Customers - Operational Debtors	1,362	0.04%	0.31%	4	2

The Commissioner does not generally allow credit for customers. At the 31 March 2014, £231k of the £1,362k balance of operational debt was past the due date for payment. This sum has increased from the balance at 31 March 2013 (£74k out of £1,363k overdue), as a consequence the Commissioner has increased the bad debt [provision](#) as at 31 March 2014 from £2k to £4k to reflect a degree of uncertainty around some of the longer standing debts. The past due amount can be analysed by age as follows:

	PCC/Group As at 31 March	
	2013 £000s	2014 £000s
Total Operational Debtors	1,363	1,362
Aged Debt past its due date by:		
1-30 Days	44	174
31-60 Days	5	27
61-90 Days	3	10
91-180 Days	1	5
181-360 Days	21	8
361+ Days	0	7
	74	231

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 2014 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.

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 2013/14.

Notes to the Accounts

12 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 2014 is set out in the table below:

	PCC		Group	
	As at 31 March		As at 31 March	
	2013	2014	2013	2014
	£000s	£000s	£000s	£000s
Central Government Bodies	4,302	3,971	4,302	3,971
Other Police / Local Authorities	532	485	532	485
NHS Bodies	69	68	69	68
Public Corporations & Trading Funds	4	9	4	9
Other Entities and Individuals (*)	5,007	5,269	5,007	5,269
Impairment (Provision for Bad Debts)	(863)	(866)	(863)	(866)
Other Entities and Individuals (Net of Impairment)	4,144	4,403	4,144	4,403
Balances Owed From Chief Constable:				
- Re CC Share of External Creditors	7,920	8,211	0	0
- Re balance of Funding	2,960	3,204	0	0
Total Debtors	19,931	20,351	9,051	8,936

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

	PCC		Group	
	As at 31 March		As at 31 March	
	2013	2014	2013	2014
	£000s	£000s	£000s	£000s
* Analysis of Other Entities and Individuals				
Police Pensioners Prepayment	1,906	2,018	1,906	2,018
Goods and Services	418	354	418	354
Prepayments/Payments In Advance	877	1,027	877	1,027
Employees (accumulating compensating absences)	103	109	103	109
Local Taxpayers (#)	1,703	1,761	1,703	1,761
	5,007	5,269	5,007	5,269
Less - Provision for Bad Debts (Goods & Services)	(2)	(4)	(2)	(4)
Less - Provision for Bad Debts (Local Taxpayers) (#)	(861)	(862)	(861)	(862)
	(863)	(866)	(863)	(866)
Other Entities and Individuals (Net of Impairment)	4,144	4,403	4,144	4,403

The debtors in respect of Local Taxpayers represent the Commissioner's share of the debtors recorded by the 6 Cumbrian District Councils in respect of Council Tax. This figure is reduced by the Commissioner's share of their respective bad debt provisions.

Notes to the Accounts

13 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 2014 is set out in the table below:

	PCC		Group	
	As at 31 March		As at 31 March	
	2013	2014	2013	2014
	£000s	£000s	£000s	£000s
Central Government Bodies	(1,913)	(1,847)	(1,913)	(1,847)
Other Police / Local Authorities	(897)	(960)	(897)	(960)
NHS Bodies	(3)	(4)	(3)	(4)
Public Corporations & Trading Funds	0	0	0	0
Other Entities and Individuals (*)	(7,376)	(7,922)	(7,376)	(7,922)
Balances Owed to Chief Constable:				
- Re CC Share of External & Employee Debtors	(2,760)	(2,986)	0	0
- Re balance of Funding	(5,428)	(5,557)	0	0
Total Creditors	(18,377)	(19,276)	(10,189)	(10,733)

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

	PCC		Group	
	As at 31 March		As at 31 March	
	2013	2014	2013	2014
	£000s	£000s	£000s	£000s
* Analysis of Other Entities and Individuals				
Goods and Services	(2,731)	(3,438)	(2,731)	(3,438)
Receipts In Advance	(267)	(338)	(267)	(338)
Employees (accumulating compensating absences)	(3,773)	(3,471)	(3,773)	(3,471)
Local Taxpayers	(605)	(675)	(605)	(675)
Other Entities and Individuals	(7,376)	(7,922)	(7,376)	(7,922)

Notes to the Accounts

14 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 2014 is provided below:

- Insurance liabilities – this provision has been established to meet a number of eventualities which are not covered by external insurers. In particular, liability risks up to £25k (per event) are retained by the Commissioner and met internally.
- Termination Payments - this employee related provision relates to a liability that exists in respect of termination benefits as a result of a decision made during 2013/14 for which the actual payments will fall into 2014/15.
- Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.
- MMI Insurance Claims – this provision was established to meet the potential costs arising from the scheme of arrangement put in place by the Commissioner's former insurer Municipal Mutual Insurance Ltd. During 2013/14 a sum of £45k was paid to the County Council in respect of the Commissioner's share of the liability arising to January 2014 (see note 31 contingent liabilities for further details).

The table below shows the movements during the year on each of the group provisions and the position as at 31 March 2014.

Provisions	Balance as at 01/04/13	Additional Provisions Made 2013/14	Amounts Used in 2013/14	Unused Amounts Reversed in 2013/14	Balance as at 31/03/14
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(593)	(52)	150	0	(495)
Termination Payments	(532)	(45)	194	338	(45)
Legal Claims	(130)	(250)	122	8	(250)
MMI Insurance Claims	(45)	0	45	0	0
Total Provisions	(1,300)	(347)	511	346	(790)

The comparative information for year ended 31 March 2013 is as follows:

Provisions	Balance as at 01/04/12	Additional Provisions Made 2012/13	Amounts Used in 2012/13	Unused Amounts Reversed in 2012/13	Balance as at 31/03/13
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(593)	(205)	205	0	(593)
Termination Payments	(232)	(532)	232	0	(532)
Pay Awards	(141)	0	141	0	0
Legal Claims	0	(130)	0	0	(130)
MMI Insurance Claims	0	(45)	0	0	(45)
Total Provisions	(966)	(912)	578	0	(1,300)

The MMI Insurance Claim Provision is the only one included in the Single Entity Statements for the PCC.

15 Pensions

15.a Pension Schemes

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

The Commissioner participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff employees, administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded [defined benefit scheme](#), meaning that the Commissioner and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2013/14 the Commissioner made a contribution of 11.1% of pensionable pay supplemented by a contribution to past service costs for the group of £799k (£279k for the PCC single entity statements). The contribution rate was last reviewed in March 2013 with revised rates applicable from April 2014.
- The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The Commissioner and employees pay contributions into a separate pensions fund account administered by the Commissioner from which on-going pensions liabilities are met. At the year-end any surplus or deficit on the pensions fund account is paid to or met by the Commissioner who then repays or is reimbursed by the Home Office. (2013/14 contribution rates for employers were 24.2% of pensionable pay and was last reviewed in March 2007).

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

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

Notes to the Accounts

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

	Group LGPS Funded Benefits 2012/13 Re-stated £000s		Group LGPS Unfunded Benefits 2012/13 Re-stated £000s		Group Police Scheme Old Scheme 2012/13 2013/14 £000s		Group Police Scheme 2006 Scheme 2012/13 2013/14 £000s	
Comprehensive Income and Expenditure Statement								
<i>Cost of Services</i>								
<i>Service cost comprising:</i>								
• Current service cost	3,151	3,807	0	0	15,460	18,840	2,330	3,660
• Past service costs	0	0	0	0	20	0	0	0
• (Gain)/loss from settlements	181	91	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>								
• Net interest expense	989	1,201	51	46	40,990	42,330	770	1,060
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	4,321	5,099	51	46	56,470	61,170	3,100	4,720
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)	(5,920)	(2,778)	0	0	0	0	0	0
• Actuarial (gains) and losses arising on changes in demographic assumptions	1,151	2,455	6	8	(380)	(140)	0	(10)
• Actuarial (gains) and losses arising on changes in financial assumptions	11,098	(10,748)	63	(24)	140,560	(28,650)	4,000	(2,050)
• Experience (gains) and losses on liabilities	0	(3,665)	0	41	(25,410)	(19,830)	380	(670)
• Administration expenses	72	88	0	0	0	0	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	10,722	(9,549)	120	71	171,240	12,550	7,480	1,990
<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.	(4,321)	(5,099)	(51)	(46)	(56,470)	(61,170)	(3,100)	(4,720)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>								
• Employers' contributions payable to the scheme	2,909	2,888	65	65	0	0	0	0
• Retirements benefits payable to pensioners	0	0	0	0	23,620	26,600	(660)	(970)
Total amount charged against the Police Fund Balance for pensions in the year	2,909	2,888	65	65	23,620	26,600	(660)	(970)

Notes to the Accounts

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

	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	Re-stated		Re-stated	
	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
<i>Service cost comprising:</i>				
• Current service cost	102	124	0	0
• Past service costs	0	0	0	0
• (Gain)/loss from settlements	6	3	0	0
<i>Financing and Investment Income and Expenditure</i>				
• Net interest expense	31	40	2	1
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	139	167	2	1
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)	(192)	(90)	0	0
• Actuarial (gains) and losses arising on changes in demographic assumptions	37	80	0	0
• Actuarial (gains) and losses arising on changes in financial assumptions	361	(349)	2	(1)
• Experience (gains) and losses on liabilities	0	(120)	0	2
• Administration expenses	2	3	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	347	(309)	4	2
<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.	(139)	(167)	(2)	(1)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>				
• Employers' contributions payable to the scheme	95	94	2	2
• Retirements benefits payable to pensioners	0	0	0	0
Total amount charged against the Police Fund Balance for pensions in the year	95	94	2	2

15.b 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 2014 are as follows:-

	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme Old Scheme		Group Police Scheme 2006 Scheme	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(108,282)	(104,245)	(1,097)	(1,103)	(988,130)	(974,080)	(22,360)	(25,320)
Fair value of plan assets	79,609	88,009	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(28,673)	(16,236)	(1,097)	(1,103)	(988,130)	(974,080)	(22,360)	(25,320)

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 £1.017m (£1.040m at 31 March 2013) has a substantial impact on the net worth of the Commissioner as recorded in the group balance sheet, resulting in a negative overall balance of £0.938m (£0.968m at 31 March 2013).

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 2014 are as follows:

	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(3,518)	(3,387)	(36)	(36)
Fair value of plan assets	2,588	2,860	0	0
Net liability arising from defined benefit obligation	(930)	(527)	(36)	(36)

Notes to the Accounts

Reconciliation of present value of scheme liabilities for the group:

	Group LGPS		Group LGPS		Group Police Scheme Old Scheme		Group Police Scheme 2006 Scheme	
	Funded Benefits		Unfunded Benefits					
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	Re-stated		Re-stated					
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(89,083)	(108,282)	(1,042)	(1,097)	(840,510)	(988,130)	(14,220)	(22,360)
Current service cost	(3,151)	(3,807)	0	0	(15,460)	(18,840)	(2,330)	(3,660)
Interest cost	(4,520)	(4,751)	(51)	(46)	(40,990)	(42,330)	(770)	(1,060)
Contributions by Scheme Participants	(1,160)	(1,124)	0	0	(4,330)	(4,470)	(610)	(810)
Remeasurement gains and (losses):								
- Arising from changes in demographic assumptions	(1,151)	(2,455)	(6)	(8)	380	140	0	10
- Arising from changes in financial assumptions	(11,098)	10,748	(63)	24	(140,560)	28,650	(4,000)	2,050
- Experience gains/(losses)	0	3,665	0	(41)	25,410	19,830	(380)	670
Past service cost	0	0	0	0	(20)	0	0	0
Gains/(losses) on curtailment	(181)	(91)	0	0	0	0	0	
Benefits Paid/Transfers	2,062	1,852	65	65	27,950	31,070	(50)	(160)
Balance at End of Year	(108,282)	(104,245)	(1,097)	(1,103)	(988,130)	(974,080)	(22,360)	(25,320)

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

	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	Re-stated		Re-stated	
	£000s	£000s	£000s	£000s
Balance at Start of Year	(2,895)	(3,518)	(34)	(36)
Current service cost	(102)	(124)	0	0
Interest cost	(146)	(155)	(2)	(1)
Contributions by Scheme Participants	(38)	(36)	0	0
Remeasurement gains and (losses):				
- Arising from changes in demographic assumptions	(37)	(80)	0	0
- Arising from changes in financial assumptions	(361)	349	(2)	1
- Experience gains/(losses)	0	120	0	(2)
Past service cost	0	0	0	0
Gains/(losses) on curtailment	(6)	(3)	0	
Benefits Paid/Transfers	67	60	2	2
Balance at End of Year	(3,518)	(3,387)	(36)	(36)

The liabilities under both the LGPS and Police Pension Schemes have reduced during 2013/14. The Principal reason for this reduction is in relation to re-measurement gains and losses.

Notes to the Accounts

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

	Group LGPS		Group LGPS	
	Funded Benefits		Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	Re-stated £000s	£000s	Re-stated £000s	£000s
Balance at Start of Year	68,223	79,609	0	0
Interest Income	3,531	3,550	0	0
Remeasurements - Gains and (Losses)	5,920	2,778	0	0
Administration Expenses	(72)	(88)	0	0
Employer Contributions	2,909	2,888	65	65
Contributions by Scheme Participants	1,160	1,124	0	0
Benefits Paid	(2,062)	(1,852)	(65)	(65)
Balance at End of Year	79,609	88,009	0	0

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

	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	Re-stated £000s	£000s	Re-stated £000s	£000s
Balance at Start of Year	2,217	2,588	0	0
Interest Income	115	115	0	0
Remeasurements - Gains and (Losses)	192	90	0	0
Administration Expenses	(2)	(3)	0	0
Employer Contributions	95	94	2	2
Contributions by Scheme Participants	38	36	0	0
Benefits Paid	(67)	(60)	(2)	(2)
Balance at End of Year	2,588	2,860	0	0

Notes to the Accounts

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 2012/13		PCC 2013/14		Group 2012/13		Group 2013/14	
		£000s	%	£000s	%	£000s	%	£000s	%
Equities									
UK Quoted	Y	393	15.19%	400	13.99%	12,100	15.20%	12,323	14.00%
UK Unquoted	N	0	0.00%	3	0.10%	0	0.00%	88	0.10%
Global Quoted	Y	318	12.29%	464	16.22%	9,792	12.30%	14,257	16.20%
UK Equity Pooled	N	310	11.98%	346	12.10%	9,553	12.00%	10,649	12.10%
Overseas Equity Pooled	N	466	18.01%	440	15.38%	14,330	18.00%	13,553	15.40%
Bonds									
UK Corporate Bonds	Y	197	7.61%	197	6.89%	6,050	7.60%	6,073	6.90%
Overseas Corporate Bonds	Y	8	0.31%	11	0.38%	239	0.30%	352	0.40%
UK Corporate Bonds Pooled	N	204	7.88%	112	3.92%	6,289	7.90%	3,432	3.90%
UK Government Indexed Pooled	N	409	15.80%	447	15.63%	12,578	15.80%	13,729	15.60%
Property									
UK	Y	145	5.60%	197	6.89%	4,458	5.60%	6,073	6.90%
Property Funds	N	16	0.62%	6	0.21%	478	0.60%	176	0.20%
Alternatives									
Hedge Funds	N	36	1.39%	6	0.21%	1,115	1.40%	176	0.20%
Private Equity Funds	N	44	1.70%	46	1.61%	1,353	1.70%	1,408	1.60%
Infrastructure Funds	N	0	0.00%	17	0.59%	0	0.00%	528	0.60%
Cash									
Cash Instruments	Y	8	0.31%	3	0.10%	239	0.30%	88	0.10%
Cash Accounts	Y	21	0.81%	154	5.38%	637	0.80%	4,752	5.40%
Net Current Assets	N	13	0.50%	11	0.38%	398	0.50%	352	0.40%
		2,588	100.00%	2,860	100.00%	79,609	100.00%	88,009	100.00%

15.c Basis for estimating assets and liabilities

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

Notes to the Accounts

The principal assumptions used by the actuary have been:

	LGPS		Police Scheme	
	2012/13	2013/14	2012/13	2013/14
Long-term Expected Rate of Return on Assets in the Scheme:				
- Equity Investments	7.00%	7.00%	N/A	N/A
- Government Bonds	2.80%	3.40%	N/A	N/A
- Other Bonds	3.90%	4.30%	N/A	N/A
- Property	5.70%	6.20%	N/A	N/A
- Cash / Liquidity	0.50%	0.50%	N/A	N/A
- Other	7.00%	7.00%	N/A	N/A
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.2	23.0	23.4	23.4
- Women	24.9	25.5	25.8	25.9
Longevity at 65 for future pensioners:				
- Men	24.1	25.7	25.7	25.6
- Women	26.9	28.7	27.9	28.0
Rate of Inflation (CPI)	2.40%	2.40%	2.50%	2.50%
Rate of increase in salaries	4.15%	3.90%	4.75%	4.50%
Rate of increase in pensions	2.40%	2.40%	2.50%	2.50%
Rate for discounting scheme liabilities	4.40%	4.60%	4.30%	4.40%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	N/A	N/A

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. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. 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

	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)	61	2	3	1,878	73	88
Rate of Inflation (increase by 0.1%)	79	4	4	2,429	114	113
Rate of Increase in Salaries (increase by 0.1%)	23	0	1	719	0	34
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(77)	(4)	(3)	(2,375)	(109)	(97)

Sensitivity Analysis – Police Pension Schemes

Impact on Defined Benefit Obligation	Group	
	Police Pensions Old Scheme £000s	Police Pensions 2006 Scheme £000s
Assumption Sensitivity		
Longevity (1 Year increase in life expectancy)	17,000	400
Rate of Increase in Pensions (increase by 0.5%)	83,000	2,300
Rate of Increase in Salaries (increase by 0.5%)	19,000	2,600
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(102,000)	(4,800)

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

15.d Impact on the Commissioner's Cash Flows

The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The Commissioner has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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 will cease to be a final salary pension scheme from 31 March 2014 and the Police Pension Scheme will cease 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 2015 are £2,367k (PCC single entity £77k). Expected contributions for the Police Pension Scheme in the year to 31 March 2015 are £10,070k.

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

	2012/13 Years	2013/14 Years
Pensions Scheme		
Local Government Pension Scheme	19	23
Police Pension -Old Scheme	21	21
Police Pension -2006 Scheme	37	37

16 Private Finance Initiative (PFI)

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

Prior to 2009/10 the monthly unitary charge payment was treated as revenue expenditure and appeared within the service expenditure element of the Comprehensive Income and Expenditure Statement. From 2009/10 in accordance with changes introduced by SORP 2009, the accounting treatment changed significantly. The PFI asset is now recognised on the Commissioner's balance sheet along with a corresponding PFI finance lease liability which recognises the Commissioner's outstanding liability to pay for the asset. The PFI asset is depreciated and revalued in the same way as any other asset in accordance with accounting policies. The unitary charge payment is now split into three components in the accounts as follows:

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

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



West TPA HQ – Hall Brow, Workington

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

Notes to the Accounts

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

16.a Movement on Fixed Assets

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

16.b PFI Finance Lease Liability

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

	PCC/Group As at 31 March	
	2013 £000s	2014 £000s
Balance at the start of the year	(5,449)	(5,382)
Repayments made during year	67	76
Balance at the end of the year	(5,382)	(5,306)
Split of liability		
Current Liability	(76)	(86)
Long Term Liability	(5,306)	(5,220)
	(5,382)	(5,306)

16.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.

	PCC/Group			Total £000s
	Repayment of Liability £000s	Interest Payments £000s	Service Costs £000s	
Repayable within one year	86	658	562	1,306
Between two and five years	475	2,501	2,398	5,374
Between six and ten years	1,044	2,676	3,437	7,157
Between eleven and fifteen years	3,701	1,008	1,859	6,568
	5,306	6,843	8,256	20,405

The repayment of liability figures include a sum of £2,911k between 11 and 15 years which recognises that there is reasonable certainty that the Commissioner will exercise his right to purchase the PFI building at the end of the PFI contract period. See critical judgement note 1 (page 28) for further explanation.

Notes to the Accounts

17 Leases

17.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

17.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 Durranshill 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 £30 p.a. The equipment includes livescan fingerprint machines and photocopiers.

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

	PCC/Group As at 31 March	
	2013 £000s	2014 £000s
Not later than one year	113	189
Later than one year and not later than five years	181	139
Later than five years.	3,409	3,379
	3,703	3,707

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

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Minimum Lease Payments		
- Land and Buildings	177	154
- Equipment	72	66
	249	220



North TPA HQ – Durranshill, 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.

18 Usable Reserves

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

In addition to the Commissioner Police Fund, which the Commissioner aims to maintain at 5% 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 established earmarked reserves and has created additional reserves at the end of 2013/14. Earmarked reserves exist both to provide a contingency to cushion the effect of unexpected events and to provide a mechanism to build up funds to meet expected liabilities. The Commissioner's earmarked reserves have been formulated in conjunction with the CIPFA guidance on Reserves and Provisions. Details of the earmarked reserves in existence and a brief description as to their purpose is included in note 5 to the accounts (see pages 34-35).

The movement in the Commissioner's Group and Single Entity Usable Reserves is detailed in the Movement in Reserves Statement (see pages 20 and 21), and the disclosure notes relating to Adjustments between the Accounting Basis and Funding Basis under regulations (Note 4) and Transfer to/from Earmarked reserves (Note 5).

In the statement of accounts for 2012/13, in addition to the usable reserves described above, the group accounts contained a number of negative usable reserves in respect of the Chief Constable. These reserves, which would ordinarily be classed as unusable reserves had been treated as usable reserves as the Chief Constable did not at the time have the statutory override powers in respect of certain transactions. The powers for the Chief Constable to transact the statutory override were granted in the Anti-social Behaviour Crime and Disorder Act 2014 and the reserves for the Chief Constable are now treated in the same way to that of the Commissioner. In order to facilitate comparisons with the figures for the previous year, the notes in respect of the unusable reserves (note 19) include those figures previous reported as usable in the 2012/13 statement of accounts.

19 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.

19.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 2013/14 and the previous year are set out in the table below:-

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Balance at Start of Year	7,755	7,095
Reclassification Adjustment	141	0
Write out of Revalued Amount on Impairment	0	0
Upward revaluation of assets	4	2,173
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(607)	(289)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(603)	1,884
Difference between fair value depreciation and historical cost depreciation	0	1
Accumulated gains on assets sold or scrapped	(198)	0
Amount written off to Capital Adjustment Account	(198)	1
Balance at End of Year	7,095	8,980

19.b Capital Adjustment Account

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

The movements on the account during 2013/14 and the previous year are set out in the table below:-

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Balance at Start of Year	41,875	36,460
Reclassification Adjustment	(141)	0
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	(4,692)	(4,395)
Revaluation gains/(losses) on Property, Plant and Equipment	(2,993)	500
Amortisation of Intangible assets	(703)	(637)
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	(1,204)	(416)
	(9,592)	(4,948)
Adjusting amounts written out of the Revaluation Reserve	198	(1)
Net written out amount of the cost of non-current assets consumed in the year	(9,394)	(4,949)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	139	600
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	510	739
Application of grants to capital financing from the Capital Grants Unapplied Account	122	49
Statutory provision for the financing of capital investment charged against the General Fund	377	383
Capital expenditure charged against the Police Fund	2,972	1,873
	4,120	3,644
Balance at End of Year	36,460	35,155

19.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 2013/14 and the previous year are set out in the table below:

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Balance at Start of Year	255	447
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	192	(74)
Balance at End of Year	447	373

19.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.

	PCC 2012/13 £000s	PCC 2013/14 £000s	Group 2012/13 £000s	Group 2013/14 £000s
Balance 31 March 2013 per 2012/13 Statement of Accounts (Unusable reserves)	(30)	(25)	(30)	(25)
Adjustment re reclassification of Chief Constable's reserves as outlined in note 18 (page 61)	0	0	(3,711)	(3,645)
Balance at the start of the year	(30)	(25)	(3,741)	(3,670)
Settlement or cancellation of accrual made at the end of the preceeding year	30	25	3,741	25
Amounts accrued at the end of the current year	(25)	(26)	(3,670)	(3,362)
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	5	(1)	71	308
Balance at End of Year	(25)	(26)	(3,670)	(3,362)

19.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.

	PCC		Group		Group	
	LGPS Pensions		LGPS Pensions		Police Pensions	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	Re-stated		Re-stated		Re-stated	
	£000s	£000s	£000s	£000s	£000s	£000s
Balance 31 March 2013 per 2012/13 Statement of Accounts (unusable Reserves)	(712)	(968)	(712)	(968)	0	0
Adjustment re reclassification of Chief Constable's reserves to usable as outlined in note 18 (page 62)	0	0	(21,190)	(28,802)	(854,730)	(1,010,490)
Adjustment re Prior Period Adjustment as outlined in note 34 (page 86-88)	0	2	0	0	0	0
Balance at the start of the year	(712)	(966)	(21,902)	(29,770)	(854,730)	(1,010,490)
Remeasurement of the net defined pension benefit liability/asset	(210)	475	(6,470)	14,623	(119,150)	51,350
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	(141)	(168)	(4,372)	(5,145)	(59,570)	(65,890)
Employer's pension contributions and direct payments to pensioners payable	97	96	2,974	2,953	22,960	25,630
Balance at End of Year	(966)	(563)	(29,770)	(17,339)	(1,010,490)	(999,400)

20 Comprehensive Income and Expenditure Statement

This account 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.

20.a Comprehensive Income and Expenditure Statement Categories

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

Police Services, this includes the following activities:

- Local Policing – neighbourhood policing, incident management, local investigation, community liaison, local command team and support overheads.
- Dealing with the Public – local call centre/front desk, central communications unit.
- Criminal Justice Arrangements – custody/prisoner handling, criminal justice arrangements, Police National Computer, civil disclosure/criminal records bureau, coroner assistance, fixed penalty scheme/central ticket office.
- Roads Policing – traffic units, vehicle recovery, road safety partnership
- Specialist Operations – central operations command team and support overheads, underwater search/marine support, dogs sections, level 1 advanced public order, firearms unit, civil contingencies.
- Intelligence – central intelligence command team and support overheads, intelligence/threat assessments, covert policing.
- Specialist Investigation – crime support command team and support overheads, major investigations unit, economic crime, serious and organised crime unit, public protection.
- Investigative Support – scenes of crime officers, external forensic costs, fingerprint/DNA bureau, photographic image recovery, other forensic services.
- National Policing – secondments (out of force), counter terrorism/special branch, [ACPO](#) projects/initiatives.

Corporate and Democratic Core Costs:

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

Non Distributed Costs:

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

Notes to the Accounts

20.b Subjective Analysis of Income and Expenditure - Group

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

	Notes	Group 2012/13 Gross Expenditure Re-stated £000s	Group 2012/13 Gross Income Re-stated £000s	Group 2012/13 Net Expenditure Re-stated £000s	Group 2013/14 Gross Expenditure £000s	Group 2013/14 Gross Income £000s	Group 2013/14 Net Expenditure £000s
Police Pay & Allowances		36,222	0	36,222	31,780	0	31,780
PCSO Pay & Allowances		2,725	0	2,725	2,570	0	2,570
Police Staff Pay & Allowances		21,003	0	21,003	21,149	0	21,149
Other Employee Costs		2,869	0	2,869	2,449	0	2,449
Contribution to Police Pension Fund Account		12,058	0	12,058	14,758	0	14,758
Police Pensions - IAS19 Current Service Costs		17,790	0	17,790	22,500	0	22,500
Total Employee Costs		92,667	0	92,667	95,206	0	95,206
Premises		3,821	0	3,821	3,962	0	3,962
Transport		2,684	0	2,684	2,611	0	2,611
Supplies & services		9,196	0	9,196	9,909	0	9,909
External Interest		680	0	680	669	0	669
Agency & Contract Services		1,220	0	1,220	1,280	0	1,280
Support Services		135	0	135	161	0	161
Pension Interest Costs		46,331	(3,531)	42,800	48,187	(3,550)	44,637
Non Current Asset Charges		8,388	0	8,388	4,532	0	4,532
Gross Operating Expenditure		165,122	(3,531)	161,591	166,517	(3,550)	162,967
Income from Fees & Charges		0	(3,624)	(3,624)	0	(4,013)	(4,013)
Income from Grant & Contributions - Central Govt.	29	0	(3,671)	(3,671)	0	(1,053)	(1,053)
Income from Grant & Contributions - Other	29	0	(267)	(267)	0	(322)	(322)
Interest & Investment Income		0	(104)	(104)	0	(148)	(148)
Non Distributed Costs		201	0	201	91	0	91
Gain of Loss on Sale of Non Current Assets	6e	0	(173)	(173)	0	(80)	(80)
PFI Grant	29	0	(688)	(688)	0	(688)	(688)
Pensions Top Up grant (Home Office)	29	0	(12,058)	(12,058)	0	(14,758)	(14,758)
Net Operating Expenditure		165,323	(24,116)	141,207	166,608	(24,612)	141,996
Minimum Revenue Provision	23	377	0	377	383		383
Pensions Adjustment		(38,008)	0	(38,008)	(42,452)		(42,452)
Capital Financing Adjustment		(8,250)	0	(8,250)	(4,490)		(4,490)
Revenue Contribution to Capital		2,972	0	2,972	1,873		1,873
Transfer to/(from) Earmarked Reserves (Revenue)	5	3,240	0	3,240	4,090		4,090
Transfer to/(from) Earmarked Reserves (Capital)	5	(600)	0	(600)	2,010		2,010
Transfer to Capital Grant Unapplied		1,059	0	1,059	889		889
Transfers to/(from) Collection Fund Adjustment A/c	30	192	0	192	(74)		(74)
Transfers to/(from) Accumulated Absences A/c	19d	71	0	71	308		308
Income from Council Tax	30	0	(35,782)	(35,782)		(32,867)	(32,867)
General Government Grants							
- Home Office Police Grant	29	0	(30,545)	(30,545)		(31,891)	(31,891)
- Home Office Capital Grant & Other Capital Grants	29	0	(1,059)	(1,059)		(889)	(889)
- Revenue Support grant	29	0	(663)	(663)		0	0
- Council Tax Grants (Freeze & Support)	29	0	(858)	(858)	0	(4,944)	(4,944)
DCLG Formula Funding	29	0	(33,337)	(33,337)		(33,939)	(33,939)
Total		126,376	(126,360)	16	129,145	(129,142)	3
(Surplus)/Deficit for the Year				16			3
Police Fund Balance Brought Forward				(5,149)			(5,149)
Capital Receipt Transferred to Police Fund				(16)			(3)
Police Fund Balance Carried Forward				(5,149)			(5,149)

Notes to the Accounts

20.c Segmental Income and Expenditure - Group

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

The figures for 2013/14 are as follows:

Section/Department	Employee Expenses	Expenditure Other Operating Expenses	Total	Fees, Charges & Other	Income Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner							
- Office of the PCC	549	343	892	(2)	0	(2)	890
- PCC Other (including Transition)	7	44	51	0	0	0	51
- PCC Commissioned Services	0	494	494	0	(458)	(458)	36
Cumbria Constabulary							
- Territorial Policing Command	51,109	7,433	58,542	(434)	(26)	(460)	58,082
- Crime Command	16,554	2,936	19,490	(253)	0	(253)	19,237
- Corporate Support	6,779	10,321	17,100	(395)	(269)	(664)	16,436
- Corporate Improvement	607	114	721	0	0	0	721
- Professional Standards	1,016	40	1,056	(22)	0	(22)	1,034
- Legal Services	320	394	714	(81)	0	(81)	633
Total	76,941	22,119	99,060	(1,187)	(753)	(1,940)	97,120

The comparative information for 2012/13 is as follows:

Section/Department	Employee Expenses	Expenditure Other Operating Expenses	Total	Fees, Charges & Other	Income Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner							
- Office of the PCC	442	496	938	(4)	(83)	(87)	851
- PCC Other (including Transition)	0	0	0	0	0	0	0
- PCC Commissioned Services	0	0	0	0	0	0	0
Cumbria Constabulary							
- Territorial Policing Command	53,075	8,054	61,129	(1,317)	(10)	(1,327)	59,802
- Crime Command	17,757	2,137	19,894	(206)	0	(206)	19,688
- Corporate Support	6,975	10,123	17,098	(216)	(9)	(225)	16,873
- Corporate Improvement	927	137	1,064	(3)	0	(3)	1,061
- Professional Standards	1,006	37	1,043	(21)	0	(21)	1,022
- Legal Services	343	254	597	(92)	0	(92)	505
Total	80,525	21,238	101,763	(1,859)	(102)	(1,961)	99,802

Notes to the Accounts

20.d Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement – Group

	CC Restated 2012/13 £000s	CC 2013/14 £000s
Net Expenditure in Service Analysis (above)	99,802	97,120
Add services not included in main analysis	765	3,488
Add technical accounting adjustments (not reported in management accounts)	36,067	39,152
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(37,937)	(42,144)
Net Cost of Services in Comprehensive Income and Expenditure Statement	98,697	97,616

20.e Reconciliation to Subjective Analysis - Group

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

The figures for 2013/14 are as follows:

	Group Service Analysis £000s	Group Services not in Analysis £000s	Group Technical Adjustments £000s	Group Not included in CI&ES £000s	Group Net Cost of Services £000s	Group Corporate Amounts £000s	Group Total £000s
Fees, charges & other service income	(1,187)	(2,815)	0	0	(4,002)	(10)	(4,012)
Interest and investment income	0	0	0	0	0	(148)	(148)
Income from council tax	0	0	0	0	0	(32,866)	(32,866)
Government grants and contributions	(753)	(622)	0	0	(1,375)	(87,109)	(88,484)
Total Income	(1,940)	(3,437)	0	0	(5,377)	(120,133)	(125,510)
Employee expenses	76,941	6,091	39,652	(42,144)	80,540	44,637	125,177
Other service expenses	22,119	834	0	0	22,953	14,757	37,710
Depreciation, amortisation and impairment	0	0	(500)	0	(500)	0	(500)
Interest Payments	0	0	0	0	0	669	669
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(80)	(80)
Total operating expenses	99,060	6,925	39,152	(42,144)	102,993	59,983	162,976
(Surplus) or deficit on the provision of services	97,120	3,488	39,152	(42,144)	97,616	(60,150)	37,466

The comparative information for 2012/13 is as follows:

	Group Service Analysis £000s	Group Services not in Analysis £000s	Group Technical Adjustments £000s	Group Not included in CI&ES £000s	Group Net Cost of Services £000s	Group Corporate Amounts £000s	Group Total £000s
Fees, charges & other service income	(1,859)	(1,758)	0	0	(3,617)	(7)	(3,624)
Interest and investment income	0	0	0	0	0	(104)	(104)
Income from council tax	0	0	0	0	0	(35,782)	(35,782)
Government grants and contributions	(102)	(3,837)	0	0	(3,939)	(79,207)	(83,146)
Total Income	(1,961)	(5,595)	0	0	(7,556)	(115,100)	(122,656)
Employee expenses	80,525	5,146	33,074	(37,937)	80,808	42,800	123,608
Other service expenses	21,238	1,214	0	0	22,452	12,058	34,510
Depreciation, amortisation and impairment	0	0	2,993	0	2,993	0	2,993
Interest Payments	0	0	0	0	0	680	680
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(173)	(173)
Total operating expenses	101,763	6,360	36,067	(37,937)	106,253	55,365	161,618
(Surplus) or deficit on the provision of services	99,802	765	36,067	(37,937)	98,697	(59,735)	38,962

Notes to the Accounts

20.f Subjective Analysis of Income and Expenditure - PCC

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

		PCC 2012/13 Gross Expenditure Re-stated £000s	PCC 2012/13 Gross Income Re-stated £000s	PCC 2012/13 Net Expenditure Re-stated £000s	PCC 2013/14 Gross Expenditure £000s	PCC 2013/14 Gross Income £000s	PCC 2013/14 Net Expenditure £000s
	Notes						
Police Staff Pay & Allowances		6,956	(6,376)	580	7,165	(6,444)	721
Other Employee Costs		449	(405)	44	820	(748)	72
Contribution to Police Pension Fund Account		12,058	0	12,058	14,758	0	14,758
Total Employee Costs		19,463	(6,781)	12,682	22,743	(7,192)	15,551
Premises		3,761	(4,995)	(1,234)	3,878	(5,130)	(1,252)
Transport		16	(970)	(954)	60	(919)	(859)
Supplies & services		519	(3,063)	(2,544)	1,203	(2,749)	(1,546)
External Interest		680	0	680	669	0	669
Agency & Contract Services		218	0	218	233	0	233
Support Services		1	0	1	1	0	1
Pension Interest Costs		149	(115)	34	156	(115)	41
Non Current Asset Charges		8,388	0	8,388	4,532	0	4,532
Funding from PCC to reimburse expenditure by CC		106,618		106,618	103,613	0	103,613
Gross Operating Expenditure		139,813	(15,924)	123,889	137,088	(16,105)	120,983
Income from Fees & Charges		0	(3,624)	(3,624)	0	(4,013)	(4,013)
Income from Grant & Contributions - Central Govt.	29	0	(3,671)	(3,671)	0	(1,053)	(1,053)
Income from Grant & Contributions - Other	29	0	(267)	(267)	0	(322)	(322)
Interest & Investment Income		0	(104)	(104)	0	(148)	(148)
Non Distributed Costs		6	0	6	3	0	3
Gain of Loss on Sale of Non Current Assets	6e	0	(173)	(173)	0	(80)	(80)
PFI Grant	29	0	(688)	(688)	0	(688)	(688)
Pensions Top Up grant (Home Office)	29	0	(12,058)	(12,058)	0	(14,758)	(14,758)
Net Operating Expenditure		139,819	(36,509)	103,310	137,091	(37,167)	99,924
Minimum Revenue Provision	23	377	0	377	383		383
Pensions Adjustment		(45)	0	(45)	(71)		(71)
Capital Financing Adjustment		(8,250)	0	(8,250)	(4,490)		(4,490)
Revenue Contribution to Capital		2,972	0	2,972	1,873		1,873
Transfer to/(from) Earmarked Reserves (Revenue)	5	3,240	0	3,240	4,090		4,090
Transfer to/(from) Earmarked Reserves (Capital)	5	(600)	0	(600)	2,010		2,010
Transfer to Capital Grant Unapplied		1,059	0	1,059	889		889
Transfers to/(from) Collection Fund Adjustment A/c	30	192	0	192	(74)		(74)
Transfers to/(from) Accumulated Absences A/c	19d	5	0	5	(1)		(1)
Income from Council Tax	30	0	(35,782)	(35,782)		(32,867)	(32,867)
General Government Grants							
- Home Office Police Grant	29	0	(30,545)	(30,545)		(31,891)	(31,891)
- Home Office Capital Grant & Other Capital Grants	29	0	(1,059)	(1,059)		(889)	(889)
- Revenue Support grant	29	0	(663)	(663)		0	0
- Council Tax Grants (Freeze & Support)	29	0	(858)	(858)	0	(4,944)	(4,944)
DCLG Formula Funding	29	0	(33,337)	(33,337)		(33,939)	(33,939)
Total		138,769	(138,753)	16	141,700	(141,697)	3
(Surplus)/Deficit for the Year				16			3
Police Fund Balance Brought Forward				(5,149)			(5,149)
Capital Receipt Transferred to Police Fund				(16)			(3)
Police Fund Balance Carried Forward				(5,149)			(5,149)

Notes to the Accounts

20.g Segmental Income and Expenditure - PCC

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

Section/Department	Employee Expenses	Expenditure Other Operating Expenses	Funding provided by PCC to CC	Total	Income Fees, Charges & Other Service	Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner								
- Office of the PCC	549	343	0	892	(2)	0	(2)	890
- PCC Other (including Transition)	7	238	103,613	103,858	(4,001)	(917)	(4,918)	98,940
- PCC Commissioned Services	0	494	0	494	0	(458)	(458)	36
Cumbria Constabulary								
- Corporate Support	203	531	0	734	0	0	0	734
- Legal Services	5	3	0	8	0	0	0	8
Total	764	1,609	103,613	105,986	(4,003)	(1,375)	(5,378)	100,608

The comparative information for 2012/13 is as follows:

Section/Department	Employee Expenses	Expenditure Other Operating Expenses	Funding provided by PCC to CC	Total	Income Fees, Charges & Other Service	Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner								
- Office of the PCC	442	496	0	938	(4)	(83)	(87)	851
- PCC Other (including Transition)	0	160	106,618	106,778	(3,613)	(3,856)	(7,469)	99,309
Cumbria Constabulary								
- Corporate Support	177	220	0	397	0	0	0	397
- Legal Services	4	6	0	10	0	0	0	10
Total	623	882	106,618	108,123	(3,617)	(3,939)	(7,556)	100,567

20.h Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement – PCC

	PCC Restated 2012/13 £000s	PCC 2013/14 £000s
Net Expenditure in Service Analysis (above)	100,567	100,608
Add technical accounting adjustments (not reported in management accounts)	3,040	(395)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(41)	(72)
Net Cost of Services in Comprehensive Income and Expenditure Statement	103,566	100,141

20.i Reconciliation to Subjective Analysis - PCC

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

The figures for 2013/14 are as follows:

	PCC Service Analysis	PCC Technical Adjustments	PCC Not included in CI&ES	PCC Net Cost of Services	PCC Corporate Amounts	PCC Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(4,003)	0	0	(4,003)	(10)	(4,013)
Interest and investment income	0	0	0	0	(148)	(148)
Income from council tax	0	0	0	0	(32,866)	(32,866)
Government grants and contributions	(1,375)	0	0	(1,375)	(87,109)	(88,484)
Total Income	(5,378)	0	0	(5,378)	(120,133)	(125,511)
Employee expenses	764	104	(72)	796	40	836
Other service expenses	1,609	0	0	1,609	14,758	16,367
Depreciation, amortisation and impairment	0	(499)	0	(499)	0	(499)
Interest Payments	0	0	0	0	669	669
Funding provided by PCC to CC	103,613	0	0	103,613	0	103,613
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(80)	(80)
Total operating expenses	105,986	(395)	(72)	105,519	15,387	120,906
(Surplus) or deficit on the provision of services	100,608	(395)	(72)	100,141	(104,746)	(4,605)

The comparative information for 2012/13 is as follows:

	PCC Service Analysis	PCC Technical Adjustments	PCC Not included in CI&ES	PCC Net Cost of Services	PCC Corporate Amounts	PCC Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(3,617)	0	0	(3,617)	(7)	(3,624)
Interest and investment income	0	0	0	0	(104)	(104)
Income from council tax	0	0	0	0	(35,782)	(35,782)
Government grants and contributions	(3,939)	0	0	(3,939)	(79,207)	(83,146)
Total Income	(7,556)	0	0	(7,556)	(115,100)	(122,656)
Employee expenses	623	47	(41)	629	33	662
Other service expenses	882	0	0	882	12,058	12,940
Depreciation, amortisation and impairment	0	2,993	0	2,993	0	2,993
Interest Payments	0	0	0	0	680	680
Funding provided by PCC to CC	106,618	0	0	106,618	0	106,618
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(173)	(173)
Total operating expenses	108,123	3,040	(41)	111,122	12,598	123,720
(Surplus) or deficit on the provision of services	100,567	3,040	(41)	103,566	(102,502)	1,064

21 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.

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Basic Allowance	106	9
Special Responsibility Allowance	28	0
Telephone Allowance	1	0
Travel and Subsistence	30	7
National Insurance	7	0
	172	16

From November 2012 the former Police Authority was abolished under the Police Reform and Social Responsibility Act 2011. The above table includes for 2012/13 the part year effect of 17 Police Authority members for the first part of the year (up to November 2012) and then 4 appointed members of the Joint Audit and Standards Committee from that point and throughout 2013/14.

A full disclosure of allowances and expenses paid to individual members can be found on the Police and Crime Commissioners website at:

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

22 Audit Fees

In 2013/14 the Commissioner and Chief Constable incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

	Group 2012/13 £000s	Group 2013/14 £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.	45	40
Rebate from Audit Commission in year.	(3)	(6)
	42	34
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.	20	20
Rebate from Audit Commission in year.	(1)	(2)
	19	18
Total External Audit Fees for Year	61	52

23 Minimum Revenue Provision

Regulations 27 and 28 of the Capital Financing and Accounting Regulations 2003 require Authorities 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 an authority's [Capital Financing Requirement](#).

In line with the Capital Finance and Accounting regulations a Statement of MRP Policy was approved in February 2012 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 2013/14 (and comparatives for 2012/13) is made up as follows:

	PCC/Group 2012/13 £000s	PCC/Group 2013/14 £000s
Minimum Revenue Provisions (MRP)		
Core MRP	310	307
PFI MRP	67	76
Total MRP for Year	377	383

24 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 2013/14 and the second provides comparatives for 2012/13.

The tables below include the costs of the temporary Chief Constable (A) who was suspended on full pay in September 2012 and remained under suspension until September 2013, at which time he returned to his substantive role as Deputy Chief Constable before retiring from service in December 2013.

A Temporary Chief Constable has been seconded from Merseyside Police to cover the role but continues to be paid by the Police and Crime Commissioner for Merseyside. Merseyside have recharged costs of this secondment amounting to £206k to the Police and Crime Commissioner for Cumbria for the period April 2013 to March 2014, these costs are included in the accounts of the Police and Crime Commissioner for Cumbria as third party related expenditure rather than as employee costs and are therefore excluded from the table below.

Notes to the Accounts

The table below gives the PCC and Group information for 2013/14 in £000s.

Postholder Information Post Title	Salary (including Fees & Allowances)	Expense Allowances	Benefits in Kind	Termination Pay & Compensation for Loss of Office	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions	Notes
Shown in Single Entity Statements of Police & Crime Commissioner									
Police & Crime Commissioner	65	3	6	0	0	74	7	81	
PCC Chief Finance Officer	75	0	0	0	0	75	8	83	
PCC Chief Executive	88	1	1	0	0	90	10	100	
Total PCC	228	4	7	0	0	239	25	264	
Shown in Single Entity Statements of Chief Constable									
Temp. Chief Constable	91	1	5	9	3	109	13	122	Temp Chief Constable (A) was suspended on full on full pay in September 2012 and remained under suspension until September 2013, at which time he returned to his substantive role as Deputy CC before retiring from office in December 2013.
Temp. Deputy Chief Constable (A)	108	4	3	0	2	117	26	143	Temporary Deputy Chief Constable (A) was in post as Temp DCC until 09/09/13 and then reverted to the role of Assistant Chief Constable.
Deputy Chief Constable (B)	108	7	0	0	3	118	26	144	Deputy Chief Constable (B) was in post as Assistant Chief Constable and was then appointed to the role of Deputy Chief Constable.
Chief Superintendent (A)	29	1	0	0	5	35	7	42	Chief Superintendent A retired from office w.e.f. 13/08/13
Chief Superintendent (B)	79	1	2	0	5	87	19	106	
Chief Superintendent (C)	33	1	0	0	1	35	8	43	Chief Superintendent C resigned from office w.e.f. 01/09/13
Chief Superintendent (D)	79	2	0	0	0	81	19	100	
Superintendent	73	2	1	0	3	79	18	97	
CC Chief Finance Officer	56	0	0	0	0	56	6	62	
Director of Corporate Support	77	0	0	0	0	77	8	85	
Director of Corporate Improvement	71					71	8	79	
Director of Legal Services	71	1	1	0	0	73	8	81	
Total CC	875	20	12	9	22	938	166	1,104	
Total Group	1,103	24	19	9	22	1,177	191	1,368	

Notes to the Accounts

The comparative PCC and Group figures for 2012/13 in £000s, are set out in the table below:

Postholder Information Post Title	Salary (including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind	Termination Pay & Compensation for Loss of Office	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions	Notes
Shown in Single Entity Statements of Police & Crime Commissioner										
Police & Crime Commissioner	23	0	0	2	1	0	0	26	3	29 The Police & Crime Commissioner for Cumbria took office on the 22/11/12 working full time (part year figures only). The full time equivalent salary for the role is £65k.
PCC Chief Finance Officer	74	0	0	0	0	0	0	74	8	82
PCC Chief Executive	87	0	0	2	1	0	0	90	10	100
Total PCC	184	0	0	4	2	0	0	190	21	211
Shown in Single Entity Statements of Chief Constable										
Temp. Chief Constable (A)	131	0	0	0	6	0	2	139	32	171 Temp Chief Constable (A) was suspended on the 13.9.12 and remains on full pay. Temp. Chief Constable (B) was seconded from Merseyside Police to cover the role with effect from 13.9.12, but continues to be paid by Merseyside Police & Crime Commissioner.
Temp. Deputy Chief Constable (B)	108	0	0	0	5	0	2	115	26	141 Temporary Deputy Chief Constable (B) was promoted to Temp. Deputy Chief Constable on the 12/11/12 from the role of Assistant Chief Constable.
Assistant Chief Constable	109	0	0	7	0	0	3	119	26	145 The Assistant Chief Constable was acting as Temporary Deputy Chief Constable until 12/11/12.
Chief Superintendent (A)	79	4	4	2	1	0	5	91	19	110
Chief Superintendent (B)	79	4	4	1	1	0	5	90	19	109
Chief Superintendent (C)	79	4	4	3	1	0	3	90	19	109
Chief Superintendent (D)	79	4	4	4	0	0	0	87	19	106
Superintendent	73	4	4	2	0	0	3	82	17	99
Head of Financial Services	55	1	0	0	0	0	0	56	6	62 The Head of Financial Services was appointed as Section 151 Officer on 01/11/12, figures include a full years salary details.
Director of Corporate Support	72	0	0	1	0	0	0	73	8	81 The Director of Corporate Support was appointed on the 7/11/12, figures include a full years salary details.
Director of Corporate Improvement	70	0	0	0	0	0	0	70	8	78 The Director of Corporate Improvement was appointed on the 1/11/12, figures include a full years salary details.
Director of Finance & Resources	46	0	0	0	0	101	0	147	5	152 The Director of Finance & Resources left the organisation on the 1/11/12, figures are part year but include final payments made in April 2013.
Director of Human Resources	29	0	0	0	0	127	0	156	3	159 The Director of Human Resources left the organisation on the 10/8/12, figures are part year.
Director of Legal Services	70	0	0	2	1	0	0	73	8	81
Total CC	1,079	21	22	15	228	228	23	1,388	215	1,603
Total Group	1,263	21	26	17	228	228	23	1,578	236	1,814

25 Employee Remuneration

The Code of Practice on Local Authority Accounting requires the disclosure of the number of employees and senior police officers (defined as those holding a rank **above** that of superintendent) whose remuneration, excluding pension's contributions, exceeded £50,000 in 2013/14 in bands of £5,000. This is set out in the table below:

Remuneration Band	2012/13				2013/14			
	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	2	0	0	2	3	3	0	6
£55,000 to £59,999	2	1	0	3	3	1	0	4
£60,000 to £64,999	1	0	0	1	0	2	0	2
£65,000 to £69,999	1	0	0	1	0	2	0	2
£70,000 to £74,999	4	0	0	4	4	0	0	4
£75,000 to £79,999	1	0	0	1	1	0	1	2
£80,000 to £84,999	1	0	1	2	0	0	1	1
£85,000 to £89,999	2	0	3	5	1	0	0	1
£90,000 to £94,999	0	0	0	0	0	0	0	0
£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	1	1
£110,000 to £114,999	0	0	2	2	0	0	2	2
£115,000 to £119,999	0	0	0	0	0	0	0	0
£120,000 to £124,999	0	0	0	0	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
£135,000 to £139,999	0	0	0	0	0	0	0	0
£140,000 to £144,999	0	0	1	1	0	0	0	0
£145,000 to £149,999	1	0	0	1	0	0	0	0
£150,000 to £154,999	0	0	0	0	0	0	0	0
£155,000 to £159,999	1	0	0	1	0	0	0	0
Total	16	1	7	24	12	8	5	25

In the above table the PCC column includes staff employed by the Commissioner and for whom decision making rests with the Commissioner's Chief Executive. A number of these staff provide support on a shared service basis to the Commissioner and Chief Constable and are recharged between the single entity statements. From 1 April 2014, in accordance with the stage 2 transfer process the majority of these staff transferred to the legal employment of the Chief Constable, where shared services are still provided (in respect of support functions) a similar recharge process will occur between the single entities.

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 24 for more information.

26 Exit Packages

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

Exit package cost band (including special payments)	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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	Headcount	Headcount	Headcount	Headcount	Headcount	Headcount	£000s	£000s
£0-£20,000	2	12	5	12	7	24	93	292
£20,001 - £40,000	4	3	7	6	11	9	320	245
£40,001 - £60,000	1	1	2	2	3	3	142	161
£60,001 - £80,000	1	1	0	1	1	2	62	122
£80,001 - £100,000	1	0	0	0	1	0	94	0
£100,001 - £150,000	1	0	0	0	1	0	122	0
Total	10	17	14	21	24	38	833	820

27 Termination Payments

During 2013/14 the contracts of a number of employees were terminated incurring termination payments amounting to £671k (£1,134k in 2012/13). As this amount is significant in terms of the 2013/14 accounts the amount has been shown as a separate item on the face of the Comprehensive Income and Expenditure Statement (page 22).

This amount is made up exit packages paid in 2013/14, offset by the provision made in 2012/13 to fund some of these costs and a provision for exit packages to be paid in 2014/15 where the decision to terminate employment has been made in 2013/14.

The exit packages amounted to £820k (£833k in 2012/13). The exit packages can be further split into compensation for loss of employment £645k (£389k in 2012/13) and enhanced pension benefits £175k (£144k in 2012/13). The redundancies are as a result of the Constabulary's change programme. The Exit Packages note above (note 26) provides details of the number and total cost of exit packages per band and include those exit packages paid in 2013/14 and those agreed for individuals in 2013/14 but paid in 2014/15 for which an [accrual](#) was made in the 2013/14 accounts.

A further amount of £45k (£532k in 2012/13) has been set aside in a provision to pay termination costs as a result of decisions made in principle in 2013/14 but where there was some uncertainty over the individual staff or timing of the termination but for which a reasonable estimate can be made of amount of the probable obligation. This amount is netted down by costs charged against the provision in respect of 2012/13 decisions provided for at the year-end where the payment was actually made in 2013/14 of £194k, providing a net movement on the provision of -£149k.

28 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.

28.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.

28.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 22). Government Grants included within the Net Cost of Services are detailed in note 29 below, the extent to which these grants are outstanding at the end of the year is recorded in short-term [debtors](#) note 12.

28.c Members

The Commissioner now has 4 appointed Member's who serve on the Joint Audit and Standards Committee and 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 2013/14 financial year. The total members allowances paid in 2013/14 are shown in note 21.

28.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 2013/14 financial year.

28.e Other Public Bodies

The Commissioner's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in note 15.

The amounts received in respect of council tax income from the 6 Cumbrian District Councils are detailed in note 30.

Notes to the Accounts

29 Grant Income

The Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14.

	PCC/Group	
	2012/13 £000s	2013/14 £000s
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions - Mobile Data	122	840
Capital grants and contributions - General	937	49
DCLG Formula Funding **	33,337	33,939
Council Tax Freeze & Local Council Tax Support Support (DCLG)	858	4,944
Revenue Support Grant (DCLG) **	663	0
Home Office Police Grant *	30,545	31,891
PFI Grant	688	688
Home Office Pension Grant (Police)	12,058	14,758
TOTAL	79,208	87,109
Credited to Services		
<i>Grants and Contributions - Central Government</i>		
ACPO Special Operations (ACPO)	20	15
Council Tax Reform (DCLG)	27	0
Community Safety Grant (Home office)	0	436
Crime and Substance Misuse Prevention	56	0
Criminal Records Bureau (Home Office)	229	235
Debt Charges (Home Office)	40	0
Dedicated Security Posts (Home Office)	214	146
Innovation Fund (Home Office)		42
Mobile Data (NPJA)	154	92
Northern Chain (Home Office)	319	2
Police Community Support Officers (Home Office) *	2,470	0
Prison Liason (ACPO)	82	63
Victims Services (Ministry of Justice)		22
Others (Security Service, Home Office)	60	0
	3,671	1,053
<i>Grants and Contributions - Other</i>		
Local Partnership	173	225
Youth Offending Team (Cumbria CC)	94	97
	267	322
TOTAL	3,938	1,375

* Note the Home Office Police Community Support Officer grant has been merged into the general Home Office Police Grant from 2013/14.

** Note the Revenue Support Grant is now incorporated within the DCLG Funding Formula amount.

Notes to the Accounts

30 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 2013/14 is received as precept from the six district councils as set out below:

District	Precept Paid 2013/14 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	6,110	(210)	5,900
Barrow Borough Council	3,609	87	3,696
Carlisle City Council	6,340	(12)	6,328
Copeland Borough Council	4,044	8	4,052
Eden District Council	3,932	11	3,943
South Lakeland District Council	8,906	42	8,948
	32,941	(74)	32,867

The comparative information for 2012/13 is as follows:

District	Precept Paid 2012/13 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	6,424	97	6,521
Barrow Borough Council	4,301	41	4,342
Carlisle City Council	6,993	9	7,002
Copeland Borough Council	4,486	26	4,512
Eden District Council	4,133	18	4,151
South Lakeland District Council	9,253	1	9,254
	35,590	192	35,782

31 Contingent Liabilities

Insurance Claims

A number of claims are being pursued against the Commissioner, the majority of which will be contested. The Commissioner maintains [provisions](#) to meet the costs of uninsured liabilities and legal costs and considers that there is no need to make further provision for these claims.

Prior to 1992, the former Police Authority was insured through Municipal Mutual Insurance Ltd (MMI) as part of Cumbria County Council's wider insurance contract. In September 1992, MMI ceased underwriting operations and a scheme of arrangement was put in place to achieve a solvent run off of the company's assets in meeting future claims arising from the period where MMI provided insurance cover, in which Cumbria County Council agreed to participate.

On the 13 November 2012 the directors of MMI announced that, following a supreme court judgement against MMI relating to their liability for asbestos related claims where they were the insurance provider at the time of exposure, achievement of a solvent run off would not be possible. As a result the directors triggered MMI's Scheme of Arrangement (the Scheme), which sets out the arrangements for the administration of MMIs liabilities in the event that a solvent run off was not achieved.

The Scheme provides that following a 'trigger event' a levy may be imposed on all claims settled on behalf of Authorities since 1993 and that future claims will be settled at a reduced rate. Following an actuarial review of potential liabilities, Ernst and Young, the Scheme's administrators, have determined that an initial levy at the rate of 15% will be imposed. Based on the position at the 31st March 2013 the Commissioner's liability was calculated at £45k, for which a provision was made in the 2012/13 accounts, during 2013/14 this liability was settled with the result that the provision was fully extinguished.

An actuarial review of insurance liabilities as at 31 March 2014 has indicated that based on the latest claims information the Commissioner has not incurred any further liability in relation to historic MMI claims. However, the Commissioner will be liable for the levy of 15% from future claims attributable to him and there is the potential that the levy percentage will need to be revised, dependent on the overall level of future claims, which would further impact on the Commissioner's liability. The Commissioner maintains an insurance reserve to meet unknown insurance liabilities which, will be used, in part, to meet further liabilities arising from the MMI Scheme.

Redundancy Costs

In response to future reductions in government funding it will be necessary to further reduce the number of police staff. It is anticipated that the reduction will be primarily achieved through a combination of voluntary and compulsory redundancies. Redundancy costs arising from decisions made up to 31 March 2014 have been recognised in the 2013/14 Comprehensive Income and Expenditure Statement, however a number of reviews are currently ongoing which could give rise to further redundancy costs, although no firm decisions have been made as yet. It is anticipated that future redundancy costs will be met from the earmarked reserve set up for management of change costs the balance of which stood at £1,677k at 31 March 2014.

Injury pensions

A tribunal 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 ruling is that police injury benefits should no longer be reduced by entitlement to social security benefits. At this stage it is unclear if the decision will have a retrospective impact on police organisations or if the change will be implemented on a future claims basis only. In the absence of further guidance from the Home Office and Department for Work and Pensions, this matter has been treated as a contingent liability in the 2013/14 statement of accounts.

32 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below.

	PCC/Group	
	2012/13	2013/14
	£000s	£000s
Technology Schemes		
Command and Control	20	45
Communications Centre ICT Upgrade	0	59
Computer Hardware & Infrastructure	703	994
CycComms (NW Regional Intelligence System)	0	36
Enhanced Video Conferencing	146	0
Executive Platform	5	44
Finance & Business Systems Upgrade	103	131
Holmes II	9	0
ICCS - Integrated Command & Control System	81	0
ICT Delivery	85	26
Information Security	20	23
Mobile Working	122	49
Pentip (Fixed Penalty System)	0	36
Police National Database	8	28
Scanning & Retrieval	0	4
WiFi	0	49
	1,302	1,524
Vehicles Replacement Scheme	988	636
Building Schemes		
Allerdale Rural Deployment Centre	672	1
Fire Behavioural & Public Order Training Facility	4	1
Headquarters - Communications Centre Refurbishment	0	303
Headquarters - Central Services Refurbishment	1	0
Headquarters - Roof Repair/Replacement		28
Ambleside Police Station Alterations	18	0
South Estate - Kendal	136	50
South Estate - Barrow	430	590
Whitehaven Interview Suites		35
Miscellaneous Property Works	0	0
	1,261	1,008
Equipment Schemes		
Automatic Number Plate Recognition	27	19
CID Specialist Equipment	60	0
Promat (Custody Digital Identification)	0	39
	87	58
Intangible Assets		
ICCS - Integrated Command & Control System	117	0
Chronicle (Public Order System)	0	26
Computer Hardware & Infrastructure	61	7
Finance & Business Systems Upgrade	63	0
Mobile Working	0	0
Pentip (Fixed Penalty System)	0	48
Police National Database	0	1
WiFi	0	3
	241	85
Total Capital Expenditure	3,879	3,311

32.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:

	PCC/Group	
	2012/13	2013/14
	£000s	£000s
Opening Capital Financing Requirement	17,931	17,690
<i>Capital investment</i>		
Property, Plant and Equipment	3,638	3,226
Intangible Assets	241	85
<i>Sources of Finance</i>		
Capital receipts	(139)	(600)
Government grants and other contributions	(632)	(788)
Sums set aside from revenue:		
- Direct revenue contributions	(2,972)	(1,873)
- Minimum revenue provision	(377)	(383)
Closing Capital Financing Requirement	17,690	17,357
<i>Explanation of Movements in Year</i>		
Increase in underlying need to borrow (unsupported by government financial assistance)	(241)	(333)
Increase/(decrease) in Capital Financing Requirement	(241)	(333)

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

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011) (implementation has been deferred until 2015/16);
- IFRS 10 (amendments) Consolidated Financial Statements (May 2011);
- IFRS 11 Joint Arrangements (May 2011);
- IFRS 12 Disclosure of Interests in Other Entities (May 2011);
- IAS 27 Separate Financial Statements (as amended in May 2011);
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011) and
- IAS 1 Presentation of Financial Statements (as amended in May 2011).

In the Financial Statements for 2014/15, the effect of the change will be assessed and where necessary, the comparative figures restated.

34 Prior Period Adjustment

A prior period adjustment has been made to the Commissioner's 2012/13 published financial statements in relation to the following.

IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting after 1 January 2013. This means that the accounting statements for 2013/14 are presented on a revised basis and as a consequence the comparators for 2012/13 have been re-stated. There is no impact on the balance sheet however, the main changes are as follows:

Expected Return on Assets – Under IAS19, the expected return on assets is replaced with "Interest on Assets". This is the interest on assets held at the start of the year and cashflows occurring during the year, calculated using the discount rate at the start of the year. The pension cost recognised in the CI&ES under IAS19 sees the interest cost and expected return on assets replaced with "net interest cost". This is calculated as interest on pension liabilities (substantially the interest cost recognised previously) less the interest on assets. The expected return on assets excluding amounts included in net interest on the net defined benefit liability (asset) is now part of the "Re-measurement of the net defined pension benefit liability/asset" which is a new line in CIES which also includes actuarial gains/losses.

Asset Disclosures - IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Commissioner's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further (see note 15b, page 56).

Disclosure Presentation - In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Commissioner's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see pension notes 15, pages 49-57).

In addition to the above changes in respect of a change to the IAS19 accounting standard, a change to adjust a rounding discrepancy on the split of the Local Government Pension Scheme between the single entity statements of the Commissioner and the Chief Constable has also been made. This change has seen the Commissioner's proportion of the LGPS scheme deficit as at 31 March 2013 reduce from £968k as reported in 2012/13 to £966k and the Chief Constable's share increase from £28,802k as reported in 2012/13 to £28,804k.

The changes made impact on the core financial statements and the disclosure notes in relation to pensions (note 15, pages 49-57). Where figures in the statements and notes have been amended, the relevant column will include the word "re-stated" in the column heading.

Notes to the Accounts

A summary of the changes made to the 2012/13 pension figures is shown below:

	PCC Amount per Per 2012/13 Accounts £000s	PCC Amount Re-stated for 2012/13 £000s	PCC Change in Amount £000s	Group Amount per Per 2012/13 Accounts £000s	Group Amount Re-stated for 2012/13 £000s	Group Change in Amount £000s
Liabilities						
Benefit Obligation at Start of Period	(2,929)	(2,929)	0	(90,125)	(90,125)	0
Current Service Cost	(100)	(102)	(2)	(3,073)	(3,151)	(78)
Interest on pension Liabilities	(151)	(148)	3	(4,649)	(4,571)	78
Member Contributions	(38)	(38)	0	(1,160)	(1,160)	0
Actuarial Gains & (Losses) on Liabilities	(400)	0	400	(12,318)	0	12,318
Remeasurement Gains & (Losses):						
- Arising from changes in demographic assumptions	0	(37)	(37)	0	(1,157)	(1,157)
- Arising from changes in financial assumptions	0	(363)	(363)	0	(11,161)	(11,161)
Curtailments	(6)	(6)	0	(181)	(181)	0
Benefits/Transfers Paid	69	69	0	2,127	2,127	0
Benefit Obligation at End of Period	(3,555)	(3,554)	1	(109,379)	(109,379)	0
Assets						
Fair Value at Start of Period	2,217	2,217	0	68,223	68,223	0
Expected Return on Plan Assets	121	115	(6)	3,733	3,531	(202)
Actuarial Gains & Losses on Assets	183	192	9	5,646	5,920	274
Administration Expenses	0	(2)	(2)	0	(72)	(72)
Employer Contributions	97	97	0	2,974	2,974	0
Member Contributions	38	38	0	1,160	1,160	0
Benefits/Transfers paid	(69)	(69)	0	(2,127)	(2,127)	0
Fair Value at End of Period	2,587	2,588	1	79,609	79,609	0
(Deficit)/Surplus	(968)	(966)	2	(29,770)	(29,770)	0

A summary of the effect that the above changes have made on each of the core financial statements is shown below:

	PCC Net Exp Per 2012/13 Accounts £000s	PCC Net Exp Re-stated for 2012/13 £000s	PCC Change in Amount £000s	Group Net Exp Per 2012/13 Accounts £000s	Group Net Exp Re-stated for 2012/13 £000s	Group Change in Amount £000s
Comprehensive Income & Expenditure Statement						
Local Policing	(1,032)	(1,034)	(2)	46,253	46,276	23
Dealing with the public	1,293	1,296	3	7,426	7,444	18
Criminal justice arrangements	349	350	1	8,891	8,904	13
Road policing	(1,578)	(1,578)	0	6,166	6,170	4
Specialist operations	(258)	(258)	0	3,864	3,865	1
Intelligence	418	419	1	7,057	7,062	5
Investigations	1,624	1,622	(2)	13,279	13,285	6
Investigative support	418	419	1	2,861	2,867	6
National policing	(5,285)	(5,285)	0	222	222	0
Corporate and democratic core	991	991	0	1,265	1,267	2
Non distributed costs	6	6	0	201	201	0
Exceptional Item - Termination Costs	0	0	0	1,134	1,134	0
Funding Provided by PCC to CC	106,618	106,618	0	0	0	0
Cost of Services	103,564	103,566	2	98,619	98,697	78
Net Interest on the net defined benefit liability (asset)	30	33	3	42,676	42,800	124
Surplus/Deficit on the Provision of Services	1,059	1,064	5	38,760	38,962	202
Actuarial Gains & Losses on pensions Assets	217	210	(7)	125,822	125,620	(202)
Total Comprehensive Income & Expenditure	1,879	1,877	(2)	165,185	165,185	0

	PCC Amount per Per 2012/13 Accounts £000s	PCC Amount Re-stated for 2012/13 £000s	PCC Change in Amount £000s	Group Amount per Per 2012/13 Accounts £000s	Group Amount Re-stated for 2012/13 £000s	Group Change in Amount £000s
Balance Sheet						
Chief Constable's LGPS Pension Reserve (Usable)	0	0	0	(28,802)	(28,804)	(2)
PCC LGPS Pension Reserve (unusable)	(968)	(966)	2	(968)	(966)	2
Total Reserves	74,676	74,678	2	(968,261)	(818,905)	149,356
Cash Flow Statement						
Net (Surplus)/Deficit on the provision of Services	1,059	1,064	5	38,760	38,962	202
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(8,330)	(8,335)	(5)	(46,031)	(46,233)	(202)
Net Cash Flows from Operating Activities	(5,928)	(5,928)	0	(5,928)	(5,928)	0
Movement in Reserves Statement						
Police Fund (Usable)						
Balance 1 April 2012	5,149	5,149	0	5,149	5,149	0
Surplus or (deficit on the Provision of Services	(1,059)	(1,064)	(5)	(1,059)	(1,064)	(5)
Adjustments between accounting basis under regulations	3,699	3,704	5	3,699	3,704	5
Net increase or decrease before transfers to earmarked reserves	2,640	2,640	0	2,640	2,640	0
Transfer to Earmarked Reserves	(2,640)	(2,640)	0	(2,640)	(2,640)	0
Balance as at 31 March 2013	5,149	5,149	0	5,149	5,149	0
CC Constabulary Fund (Usable)						
Balance 1 April 2012	0	0	0	0	0	0
Surplus or (deficit on the Provision of Services	0	0	0	(37,701)	(37,898)	(197)
Other Comprehensive Income & Expenditure	0	0	0	(125,605)	(125,410)	195
Transfers to other Usable Reserves	0	0	0	163,306	163,308	2
Net increase or decrease before transfers to earmarked reserves	0	0	0	0	0	0
Balance as at 31 March 2013	0	0	0	0	0	0
CC LGPS Pension Fund (Usable)						
Balance 1 April 2012	0	0	0	(21,190)	(21,190)	0
Transfers to other Usable Reserves	0	0	0	(7,612)	(7,614)	(2)
Net increase or decrease before transfers to earmarked reserves	0	0	0	(7,612)	(7,614)	(2)
Balance as at 31 March 2013	0	0	0	(28,802)	(28,804)	(2)
PCC LGPS Pension Fund (Unusable)						
Balance 1 April 2012	(712)	(712)	0	(712)	(712)	0
Other Comprehensive Income & Expenditure	(217)	(210)	7	(217)	(210)	7
Adjustments between accounting basis under regulations	(39)	(44)	(5)	(39)	(44)	(5)
Net increase or decrease before transfers to earmarked reserves	(256)	(254)	2	(256)	(254)	2
Balance as at 31 March 2013	(968)	(966)	2	(968)	(966)	2

Police Officer Pension Fund Account

Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2013/14 financial year together with comparative information for 2012/13.

	Group 2012/13 £000s	Group 2013/14 £000s
Contributions Receivable		
Employer		
- Contributions at 24.2% of Pensionable Pay	(9,987)	(9,772)
Officers' Contributions		
- 1987 Scheme Member Contributions (see narrative for rates)	(4,325)	(4,467)
- 2006 Scheme Member Contributions (see narrative for rates)	(614)	(810)
	(14,926)	(15,049)
Transferees in from Other Schemes	(180)	(298)
Capital Equivalent charge for ill-health schemes	(231)	(469)
	(411)	(767)
Benefits Payable		
Recurrent Pensions	21,515	22,791
Commutations and Lump Sums	5,796	7,601
	27,311	30,392
Payments to and on Account of Leavers		
Refund of Contributions	0	9
Transfer out to other schemes	84	173
	84	182
Net Amount Payable for the Year	12,058	14,758
Additional Contribution from the Police & Crime Commissioner	(12,058)	(14,758)
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 2014.

	Group 2012/13 £000s	Group 2013/14 £000s
Current Assets		
Pensions Benefits paid in advance	1,906	2,018
Current Liabilities		
Amount due to the Police & Crime Commissioner	(1,906)	(2,018)
	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 2007 (SI 2007 No 1932). The Pensions Fund Accounts are administered by the Police and Crime Commissioner and have been prepared on an accruals basis.

Operation of Police Pensions Schemes

The Commissioner operates two Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the new scheme and the previous scheme has been closed to new members. Officers who are members of the old scheme are allowed by regulation to become members of the new (2006) scheme if they so wish. Members' contribution rates for 2013/14 were between 10.7% and 12% (10.1%-10.75% in 2012/13) for the new scheme and between 13.5% and 14% (12.25%-12.5% in 2012/13) for the old scheme. The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Commissioner's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 24). Detailed disclosure notes regarding the Police Pension schemes can be found in note 15 to the core financial statements (pages 50-58).

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 Commissioner'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 Commissioner and replaced with an employers' contribution, currently set at 24.2% of pensionable pay, which, along with the employee contributions and any transfer values, is paid into the pensions account. 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 as 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, 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

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 goodwill.

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.

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.

DCLG

The Department for Communities and Local Government, responsible for funding elements of the Police and Crime Commissioner's specific and external grant aid.

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.

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

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

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.

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.

Glossary of Terms

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.

Revenue Support Grant

A grant from the Department of Communities and Local Government (DCLG) towards the cost of Police and Crime Commissioner services.

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 2013/14 financial year and the financial position at the 31 March 2014. 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 2011 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 2013/14](#) (the Code) and the Service Reporting Code of Practice 2013/14 ([SERCOP](#)), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 act. [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](#).

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).

3 Cash and Cash Equivalents

Cash is represented by cash in hand, imprests (petty cash) and demand 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.

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

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

4 Exceptional Items

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or 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.

6 Charges to Revenue for Non-Current Assets

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

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

Council Tax is not required to be raised to fund depreciation, revaluation and impairment losses or amortisations. However, an annual contribution from revenue is required towards the reduction in its 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.

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7 Employee Benefits

7.1 Employee Benefits payable during Employment

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

7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision to terminate an individual's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged (on an [accruals](#) basis) to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

8 Post Employment Benefits

8.1 General

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

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 on a head count basis. All accounting entries for Police Officer pensions and Police Staff pensions are consolidated in the group statements.

The liabilities of each of the pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their [fair value](#) at current prices using a discount rate (see assumptions set out in note 15c, page 56).

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

- [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.

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- 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 payment.

Remeasurements comprising:

- Return on plan assets-excluding amounts included in the net interest on the net defined pension liability (asset) – charged to the pensions reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions (demographic and financial) made at the last actuarial valuation or because the actuaries have updated their assumptions –charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Note 15 to the primary financial statements provides further information about the pension schemes.

8.2 Police Officers

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

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).

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

The funding arrangements for police officers pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a ‘pay as you go’ basis with the cost charged to the revenue account. From April 2006 onwards there is an employer’s contribution rate set by the Home Office (currently 24.2% of pensionable salary), which is charged to the Comprehensive Income and Expenditure Statement.

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 88-89). 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

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made. Any shortfall on the pension fund account is met by a contribution from the police fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office.

8.3 Police Staff

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

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

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

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

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

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

9 Events after the Balance Sheet Date

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

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

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10 Financial Instruments - Financial Liabilities

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

11 Financial Instruments - Financial Assets

Financial assets are classified into two types:

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

Loans and receivables are initially measured at [fair value](#) and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Where a receivable (i.e. debtor) has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed/invoiced amount. Investments are shown in the balance sheet at cost. Where investments are fixed term deposits, accrued interest owing at the balance sheet date is included in the Comprehensive Income and Expenditure Statement.

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 12, page 46).

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

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

12 Government Grants and Contributions

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

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

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or

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contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants 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.

13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset. Intangible assets are initially measured at cost amounts and are only revalued where the [fair value](#) of the asset can be determined by an active market. The depreciable amount of an intangible asset is amortised over its useful life (usually 5 years) to the relevant function(s) in the Comprehensive Income and Expenditure Statement.

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

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

14 Inventories

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

15 Leases

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

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leases are classified as operating leases.

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

15.1 Finance leases (as Lessee)

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

Lease payments are apportioned between:

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

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

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

15.2 Operating Leases (as Lessee)

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

15.3 Finance Leases (as Lessor)

There are currently no finance leases as a lessor.

15.4 Operating Leases (as Lessor)

Rentals 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.

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16 Treatment of Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the [CIPFA](#) Service Reporting Code of Practice 2013/14 ([SERCOP](#)). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

17 Property, Plant and Equipment

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

17.1 Recognition

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

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

17.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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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 fair value)
Assets Held for Sale	Market Value (or carrying amount if lower)
Assets Under Construction	Historic Cost

Assets included in the Balance Sheet at [fair value](#) (i.e. not valued at historic cost) are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the [Revaluation Reserve](#) to recognise unrealised gains. Gains are to be credited to the relevant function line(s) in the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a function up to the amount of the original loss, adjusted for [depreciation](#) (if material) that would have been charged if the loss had not been recognised. Valuations are carried out by Mr. C. Smith BSc MRICS, Carigiet Cowen, Telford House, Riverside, Warwick Road, Carlisle CA1 2BT.

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

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

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

17.3 Impairment

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

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

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

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

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recognised.

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

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

17.4 Depreciation

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

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

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

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

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

17.5 Disposal and Non-Current Assets Held for Sale

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

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

Assets 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

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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.

17.6 Capital Receipts

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

17.7 Component Accounting

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

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

18 Investment Property

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

Investment properties are measured initially at cost and subsequently at [fair value](#), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. 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

Annex A - Statement of Accounting Policies

[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.

19 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

There is currently one PFI scheme recognised on the Balance Sheet and this relates to the West Cumbria [TPA](#) HQ at Workington. Under the terms of [the Commissioner’s](#) funding arrangement to the [Chief Constable](#) the Commissioner controls all property and, accordingly, the PFI building is recorded on the Balance Sheet of the Commissioner. A charge is made by the Commissioner to the Chief Constable in the Comprehensive Income and Expenditure Statement for the Chief Constable’s use of the building and the services provided. Further details of the arrangement and accounting treatment can be found in note 16 (pages 58-59) of the notes to the accounts.

20 Heritage Assets

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

Annex A - Statement of Accounting Policies

21 Provisions, Contingent Liabilities and Contingent Assets

21.1 Provisions

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

[Provisions](#) are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best 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 14, page 48).

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

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

21.2 Contingent Liabilities

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

Contingent liabilities are not recognised on the Balance Sheet but disclosed in a note to the accounts.

21.3 Contingent Assets

A contingent asset arises where an event has taken place that gives rise to a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events which cannot wholly be controlled.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22 Reserves

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

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

Annex A - Statement of Accounting Policies

23 Material Estimation Techniques

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

23.1 Pension Disclosure Note:

Where the projected unit method of valuation has been applied and which is consistent with the required methodology in IAS 19. This is a valuation method in which the scheme liabilities make an allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the 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 2013/14 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 between 4.4% and 4.6% is appropriate.

23.2 Property Revaluations

All 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 police properties "depreciated replacement cost" which is consistent with proper accounting practice. The professional valuer, Mr. C. Smith of Carigiet Cowen, applied these valuation methods.

24 Collection Fund

Council Tax is collected from local taxpayers by the billing authorities (district councils). The billing authorities in England are required by statute to maintain a separate fund 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

Annex A - Statement of Accounting Policies

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.

25 Value Added Tax (VAT)

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



Police and Crime Commissioner for Cumbria Annual Governance Statement 2013-14

Annex B – Annual Governance Statement

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

The Police and Crime Commissioner for Cumbria (the Commissioner) 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 Commissioner 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 Commissioner has approved and adopted a Code of Corporate Governance 'The Code'. The Code gives clarity to the way the Commissioner governs and sets out the frameworks that are in place to support the overall arrangements for fulfilling the Commissioner's functions. This statement explains how the Commissioner has complied with The Code. It also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement (AGS) which must accompany the statement of accounts.

PURPOSE OF THE GOVERNANCE STATEMENT

The governance framework comprises the systems, processes, culture and values by which the Commissioner is directed and controlled and the activities through which the Commissioner accounts to and engages with the community. The framework enables the Commissioner to monitor the achievement of strategic Police and Crime objectives and to consider whether those objectives have led to the delivery of appropriate efficient and effective police and community safety 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 system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The findings of the review of the system of internal control are reviewed by the Audit and Standards Committee (23 June 2014) and reported to the Commissioner's Executive Board (24 June 2014).

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THE GOVERNANCE FRAMEWORK AND ITS EFFECTIVENESS

The key elements of the system and processes that comprise the Commissioner's governance arrangements are detailed in this section. The elements are based on the six 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 Commissioner 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 who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, the annual report of the Joint Audit and Standards Committee, the view of the external auditor through their annual governance statement and other review inspectorates. As part of the review process, the annual governance statement is prepared, setting out how the Commissioner has complied with The Code over the previous financial year and to the date that the statement of accounts are published.

The Commissioner's Joint Audit and Standards Committee has specific responsibility for providing an independent assurance function in respect of the arrangements for Governance including Risk Management. The work of the Joint Audit and Standards Committee over the period of the Governance Statement contributes to the review process by providing evidence in support of the effectiveness of arrangements.

Six Core Principles of Governance

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

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The Joint Audit and Standards Committee will also receive and scrutinise the report of the Chief Finance Office reviewing the effectiveness of the arrangements for internal audit. A report of the work of the Committee is produced annually, as part of that review, and submitted to the Commissioner's Executive Board and the Police and Crime Panel. The report assesses the effectiveness of the Committee against Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, and as a contribution to the effectiveness of overall governance arrangements.

Internal audit perform a range of reviews based on an agreed audit plan. The plan has regard to risks and recognises that key financial systems and other areas of wider business risk need to be reviewed on a cyclical basis to provide assurance with regard to internal controls and systems for governance. The work of internal audit contributes to the review of the effectiveness of governance by identifying the effectiveness of internal controls and providing an overall opinion annually on the control environment. The internal audit annual report for 2013-14 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.

The effectiveness of the internal audit function is assessed annually against Public Sector Internal Audit Standards and

the Internal Audit Charter, to support a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control.

The following paragraphs detail how the Commissioner has complied with the governance framework set out within The Code to meet each of the six governance principles. Each section of the statement includes a commentary on areas for development and improvement as part of the review process. These are collated into an action plan at the end of the statement. This AGS also includes an update on the implementation of planned actions from 2012-13, and how these were addressed as shown in the 2013-14 development plan.

The Governance Statement is submitted for examination by the Commissioner's Internal Auditors who will report to the Commissioner's Executive Board and the Joint Audit and Standards Committee. The Commissioner will formally approve any changes to the Code of Corporate Governance and framework on an annual basis as part of the governance review. The Code of Corporate Governance detailing the framework arrangements is published alongside this statement.

*Richard Rhodes
Police and Crime Commissioner for Cumbria

*Stuart Edwards
Chief Executive

*Ruth Hunter
Chief Finance Officer/ Deputy Chief Executive

*Signatures have been removed for the purposes of Publication on the website

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Core principle 1: Focusing on the purpose of the Commissioner and the Force, and on outcomes for the community, and creating and implementing a vision for the local area

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Police Reform and Social Responsibility Act (PR&SRA) requires the Commissioner to produce a Police and Crime Plan setting the vision and strategic direction for policing, crime reduction and community safety. The Commissioner’s first Police and Crime Plan was scrutinised by the Police and

- Keep our rural communities safe by tackling crime and disorder in rural areas;
- Provide justice for the victims by detecting crime and bringing criminals to justice;
- Address offender behaviour to reduce adult and youth offending and reoffending;
- Establish a collaborative approach to providing support and assistance to vulnerable veterans to assist them to remain clear of criminal activity;
- Reduce harm by targeting domestic abuse and sexual violence;
- Reduce the harm caused by hate crime;
- Give due consideration to public opinion in policing matters;
- Ensure victims of crime have access to support and redress;
- Tackle the increasing incidence of cyber-crime;
- Deliver a county wide CCTV initiative.

Crime Panel and subject to consultation with the public and our partners before the priorities were finalised and the plan approved on March 11th 2013. The Plan was refreshed and re-launched in March 2014 following further consultation and review. The priorities within the plan are to:

- Ensure Cumbria remains a safe place to live, work and visit by keeping crime at low levels, particularly violent crime and thefts;
- Reduce the impact antisocial behaviour has on our communities;
- Reduce the impact of alcohol misuse on our communities;
- Tackle the problem of drug supply in the county;
- Reduce the impact irresponsible driving has on our communities;

Key performance indicators were set with the Chief Constable at the start of the financial year in support of the objectives within the Police and Crime Plan. The performance indicators are supported by a detailed work programme of actions. During the year crime levels, public satisfaction and police performance have been regularly monitored and publically challenged through the Commissioner’s Executive Board, regular performance review meetings and alongside audits and visits to departments. During the course of 2013-14 the Commissioner’s Executive Board received Constabulary

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reports covering a range of areas of performance including crime levels, disposals, roads policing, public complaints, integrity, police officer and police staff numbers and overtime. These reports enable the Commissioner to hold the Chief Constable to account for the delivery of the priorities set out in the Police and Crime Plan and Constabulary performance in general. They also help inform the amendment of those priorities to ensure they are achieving their aims and the setting of new priorities to meet emerging trends.

The OPCC has chaired a newly established multi-agency panel which scrutinises police use of out-of-court disposals. This has provided an effective framework for identifying good practice and checking on the appropriateness of the use of out-of-court resolutions, which support the reduction of reoffending and take account of victims' views. It has supported the improvement of processes and policies within the Constabulary.

The Police and Crime Plan makes a clear commitment to the local priority of 'visible policing'. The medium term financial forecast supports this commitment by providing funding to maintain an establishment of 1134 police officers and 95 police and community support officers during 2013-14 and 2014-15.

The Commissioner's Police and Crime Plan can be found on our website at www.cumbria-pcc.gov.uk

During 2013-14 the Commissioner commissioned a number of reviews to identify the areas of focus for his own and partners' work in key areas of the Police and Crime Plan: support for victims, domestic abuse, sexual violence and youth justice. Working with a wide range of partners, these reviews identified areas for improvement in services and developed an evidence base to support future commissioning activity. This was further supported by two multi-agency conferences in September and December 2013 that facilitated key partners working together to explore the issues and help identify solutions.

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 service for domestic abuse victims through changes in the service commissioned during the early part of 2014 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.

At the Executive Board meeting of 22nd February 2013 the Commissioner set his first annual budget and precept in the context of a 4 year medium term financial forecast (MTFF). During 2013-14 further work was undertaken to extend and refine the medium term position in the light of the 2013 Spending Round that announced departmental budget allocations for 2014-15 and 2015-16. In line with his duty to maintain the police force, the Commissioner provided the Chief Constable with a funding agreement setting out a budget of £102.5m for the 2013/14 financial year.

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The MTFF included over £3m funding for 2013-14 within a commissioned services budget for community safety and crime reduction in partnership with the District and County Councils, Community Safety Partnerships and wider community and voluntary Sector groups. Funding was also provided for Police Innovation, supporting investment for more efficient and effective working within the Constabulary. Total funding increased to over £4m in year as a result of prior year underspend.

During 2013-14 the commissioned services budget supported a range of partnership working to support services and initiatives to reduce anti-social behaviour and youth offending. Funding was also provided to support sexual and domestic violence services. £50k of funding was awarded to 8 community groups through the Commissioner's community fund and over £1m has been committed to a partnership initiative for a county wide CCTV scheme. A further £2m of funding was agreed to support the Constabulary Business Plan, providing investment in ICT and other initiatives that will support the police to maintain visibility and services from 2015 when officer numbers will have to reduce. 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.

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 arrangements for Commissioning and the issue of grants have been codified within a Commissioning Strategy

approved by the Commissioner at his Executive Board on 27 March 2014. The strategy is supported by a set of accompanying grant regulations

To promote openness and transparency, all Executive Board meetings have been advertised to allow members of the press and public to attend with agendas and papers published on the Commissioner's website.

Following the launch of the Office of Victim Support, the Commissioner continues to develop his arrangements in preparation for the transfer of commissioning responsibilities for victims support services from October 2014. The approved commissioning strategy and budget sets out funding for victims services over a four year timeframe. The strategy and accompanying grant regulations provide authority to enter into partnership arrangements, issue grants and procure services for the provision of support to victims of crime and anti-social behaviour. A Victims' Advocate has been appointed with responsibility for the overall arrangements for victims including the establishment of a Victims' Charity. Work is on-going on a collaborative basis to commission wider victim referral services from 2015 in partnership with North West of England Police and Crime Commissioners.

During 2013-14 and in line with legislative requirements, a stage 2 staff transfer scheme was agreed between the Commissioner and Chief Constable. The scheme was formally presented to the Home Office on 21 March 2014. This scheme had originally been submitted in draft in September 2013 and the scheme finally submitted was unchanged from the draft scheme that was approved by the Home Secretary. The supporting Constabulary budget and

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funding agreement taking account of the transfer was approved by the Commissioner on 27 March 2014.

From April 1st 2014 all staff, other than one vacant post and those within the Commissioner's office, transferred to the employment of the Chief Constable. To reflect the changes to governance arising from the transfer a fundamental review and update was undertaken of all key governance documents. A special meeting of the Joint Audit and Standards Committee was convened on February 7 2014 to review a revised governance framework developed to support the new arrangements from April 2014.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT 2014/15

CP1/1: During 2014/15 the Home Office is undertaking a fundamental review of police funding. To ensure that the Commissioner is able to fully engage in the national funding debate, and understand the implications for future resources, work will be undertaken on the Medium Term Finance Forecast to model the impact of potential changes to grant income.

CP1/2: During 2014-15 the Victims Advocate will be tasked with establishing a charitable trust and putting in place the arrangements from April 2015 for local commissioning of victim referral and support services.



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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011 (PPO). The PRASA and the PPO also set out the function and roles of statutory officers, namely the Monitoring Officer (Chief Executive) and the Chief Finance Officer (CFO). The monitoring officer has specific legal, financial and governance duties in addition to a statutory responsibility for the lawfulness of decision making.

The functions and roles set out in legislation and guidance are codified in the Commissioner's scheme of delegation. The scheme was initially approved on November 23 2012 and has been revised during 2013-14 to take into account the impact of the stage 2 staff transfer scheme. The impact of the scheme has been to transfer all staff to the Chief Constable, other than one vacant post and those within the Commissioner's office.

The statutory framework prohibits delegations from the Commissioner to staff of the Chief Constable. Revisions to the scheme of delegation have therefore removed any responsibilities delegated to former support staff who have been subject to the transfer scheme. Delegations from the Commissioner to his Chief Executive (monitoring officer) and Chief Finance Officer place responsibility with the roles of the statutory officers to secure the delivery of support services. The wider governance framework including financial regulations and decision making processes codify how these roles are carried out.

The new arrangements in respect of support have been codified within the funding agreement between the Commissioner and the Chief Constable. The Commissioner's risk register has been updated on recommendation from the Joint Audit and Standards Committee to reflect the increased risk in relation to the effective 'outsourcing' of support services.

During the year, there have been reviews of the administration and operation of the Commissioner's ICV scheme. The review has supported the role of ICV's through the introduction of a new version of the ICV Handbook, revised policies and procedures for dealing with appointments, termination of appointment, and complaints and appeals. A new standardised Report Form has been introduced, where the visitors report issues as they arise and these reports are collated, monitored and acted upon by the Office of the Police and Crime Commissioner in close co-operation with the Constabulary.

The wider governance framework further detailing specific roles and responsibilities has been updated to take into account the implications of the stage 2 transfer and the restructure of the Commissioner's office. In lieu of a formal constitution document, these arrangements have been consolidated within a substantially revised Code of Corporate Governance supported by a schematic that sets out the governance framework and inter-relationships between key elements of internal control. The full suite of revised documents including financial regulations, procurement regulations, grant regulations and anti- fraud

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and corruption arrangements are available on the Commissioner's website.

During 2013/14 the Commissioner entered into secondment agreements in partnership with Probation, Victim Support and the Youth Offending Service to facilitate joint work on strategy and policy on victim services, domestic abuse, sexual violence and youth justice. Working with a wide range of partners, these reviews identified areas for improvement in services and developed an evidence base to support future commissioning activity. This was further supported by two multi-agency conferences in September and December 2013 that facilitated key partners working together to explore the issues and help identify solutions. 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. This has included the reestablishment of the Victims and Witnesses Group to facilitate accountability of the delivery of the Victims' Action Plan, through partners reviewing delivery and challenging progress.

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 Direction Group, to tackle crime and disorder bringing together public services such as councils, health, probation and voluntary groups working in fields such as domestic abuse support.
- Developing a partnership Cumbria Alcohol Strategy to tackle alcohol harm, alongside a Joint PCC- Constabulary strategy.
- Working with partners on an action plan to tackle hate crime.
- Working with leaders and chairs of the county's key public and voluntary sector agencies as a member of the Cumbria Leaders' Board
- Working to help address alcohol, drug and mental health issues, often contributing factors in crime, through membership of the Health and Well-Being Board.
- Providing funding for Cumbria's four Community Safety Partnerships, who are responsible for bringing together a range of organisations to identify and tackle local issues in relation to crime and disorder, focusing on domestic violence, local crime prevention, and anti-social behavior.
- Supporting community groups to reduce crime and tackle antisocial behavior through a Police and Crime Property Fund, Community Fund and Innovation Fund. Full details can be found on www.cumbria-pcc.gov.uk
- Signing up to 'Cumbria Compact', which is a set of principles and commitments that underpin good working relationships between the public sector and the community covering areas such as equality and diversity, public engagement and the allocating of resources.

The Commissioner is leading a number of multi-agency partner initiatives. In order to ensure that there is clear governance and public messages a communications strategy is defined which sets out the common vision/objectives, key messages, roles and responsibilities. The strategies are regularly updated to take into account key milestones and to demonstrate the objectives within the Police and Crime Plan that are being achieved.

The purpose and role of the Joint Audit and Standards Committee has been subject to review during 2013-14 to take into account new guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The

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review has resulted in the Committee adopting a new terms of reference supported by a revised annual work programme. The terms of reference and work programme enhance the role of committee in reviewing and monitoring arrangements for value for money, anti-fraud and corruption, conduct and the PCC/officer protocol.

During the course of the year a review was undertaken of decision making by the Executive Board. This has resulted in meetings being held in public to increase the openness and transparency of the Commissioner's decision making and his holding to account of the Chief Constable. A facility has also been introduced to enable members of the public to ask questions of the Commissioner at meetings of the Executive Board. The local media have attended all meetings of the Executive Board since the changes were introduced.

During 2013-14 the Commissioner had responsibility for managing the process in respect of the decision of the former Police Authority to suspend the Temporary Chief Constable following allegations relating to serious misconduct. In respect of that process, and following the receipt of the report of the investigating officer, the Commissioner made a decision on 23rd August 2013 that there was a case to answer for misconduct. The decision determined that the matter would not be referred to a misconduct hearing on the grounds of public interest and that management action would be taken.

The Commissioner made a further decision on 23rd August 2013 to suspend TCC Mr Hyde under section 38 (2) of the Police Reform and Social Responsibility Act. This decision commenced procedures under section 38 (3) with a view to calling upon Mr Hyde, as Temporary Chief Constable, to

resign or retire. Mr Hyde's appointment as Temporary Chief Constable came to an end on 30th August 2013. As a consequence, and after that date, Mr Hyde reverted to Deputy Chief Constable, at which point the Commissioner no longer had jurisdiction to consider these matters.

The Commissioner has made public the reasons for all decisions that have been taken. In addition, an executive summary of the investigation report into conduct matters, including all the recommendations of the investigating officer, has been made public to aid transparency.

The recommendations of the investigating officer have been presented in a report to the Joint Audit and Standards Committee. The Committee has received action plans from the Constabulary and Police and Crime Commissioner that responds to those recommendations and any wider governance implications. During the year, the Committee has monitored the implementation of the plans in line with their terms of reference.

To provide further assurance, the internal auditor undertook an audit of the integrity arrangements within the Constabulary and OPCC. The audit included consideration of the extent to which the recommendations arising from Her Majesty's Inspectorate of Constabulary (HMIC) 2012 review of police integrity¹ had been implemented. The conclusion of the internal auditor is that the both the OPCC and Constabulary have satisfactory arrangements in place for managing integrity.

¹HMIC Revisiting police relationships: progress report

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AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP2/1: The Commissioner is working with health and local government partners to improve services for victims of sexual assault in Cumbria. A jointly funded (OPCC, Constabulary and NHS) project manager has been appointed to an 11 month seconded post within the OPCC to work with partners to deliver a sexual assault referral centre and joined-up system of follow-up health and emotional support services.

CP2/2: Building on the work of the OPCC and partners during 2013-14 to develop a shared understanding of Restorative Justice, the OPCC will work with partners to increase the use of quality Restorative Justice through the development of a multi-agency approach.

CP2/3: During 2014-15 and thereafter, the OPCC will work with criminal justice partners to deliver improvements in services to victims in line with the Victims and Witnesses Action Plan and develop compliance with the Victims' Code of Practice, including specific improvements in relation to domestic and sexual violence identified in the 'Taking the Next Steps' review.

CP2/4: The OPCC will develop a prioritised plan for action and partnership working to make improvements in youth justice based on the findings of the review of youth justice.



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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2013/14 the Commissioner and Chief Constable have implemented action plans addressing integrity issues arising from the South Wales investigation report. As part of these arrangements the anti-fraud and corruption strategies of both entities have been reviewed and subject to challenge from the Joint Audit and Standards Committee prior to being formally approved.

The revised arrangements on recommendation from the Committee have included a greater focus on raising awareness of whistle-blowing for staff. In support of the requirements for audit of the 2013-14 financial statements, the Commissioner has also submitted to the External Auditor a fraud risk assessment providing further assurances in respect of the arrangements to protect against fraud and corruption.

Procedures for the use of corporate credit cards have been substantially revised to provide more robust guidance and re-enforce the limited circumstances under which they will be authorised for use. The procedures have been reviewed by the Joint Audit and Standard Committee and amended to take on board members recommendations prior to being issued to relevant staff. Arrangements have also been put in place within the Constabulary, with OPCC oversight, to re-enforce staff awareness of integrity matters within policies for procurement of hospitality and expenses.

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 are subsequently published on the Commissioner's website on a monthly basis. Guidance on gifts and hospitality has been strengthened to specify the value and circumstance of any such offer that would be deemed to be excessive.

The Commissioner and all staff are required to complete a register of interests form on an annual basis. The Commissioner's, Chief Executive and Chief Finance Officer's forms are published on the Commissioner's website for openness and transparency. Prior to considering decisions the Commissioner is required to declare any conflict of interests which are published along with the decision.

Staff have been asked, where appropriate, to complete disclosures of related party transactions. These have been subject to audit as part of the arrangements for the 2012-13 financial statements.

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As leader of the local policing body the Commissioner is critical to setting the culture of transparency and ethical behaviour in which the public can have trust across the criminal justice system in their area. Since coming into office the Police and Crime Commissioner has agreed and signed up to a number of protocols and codes such as a Code of Conduct, which will enable him to carry out his role with integrity and transparency.

The Commissioner has approved a commissioning strategy and supporting set of grant regulations to support openness and accountability in respect of opportunities for grant funding. Other than for limited exemptions, the grant regulations commit to an open process for all grant schemes. The criteria against which bids will be awarded and the terms and conditions of funding must be clearly set out at the commencement of the process.

During the year the Commissioner has undertaken a review of the process for decision making through the Executive Board. That review has resulted in changes to the arrangements, including the facility for members of the public to ask questions of the Commissioner at meetings of the Board. The Executive Board Meeting Protocol was agreed by the Commissioner on 23 July 2013.

As part of his statutory responsibility the Commissioner maintains oversight of the Constabulary complaints process. This is achieved by a quarterly dip sampling process of Constabulary complaint files and reports are presented to the public Executive Board for scrutiny of issues or trends. Complaints received by the Commissioner which relate to Constabulary issues or services are also monitored ensuring a satisfactory conclusion.

Members of the Joint Audit and Standards Committee have reviewed their role against guidance issued by CIPFA in December 2013². That review has resulted in the Committee's annual work programme being developed to include an annual report monitoring the Commissioner's work on anti-fraud and corruption. The Committee will also receive new annual reports from the Chief Executive monitoring the operation and effectiveness of the Commissioner's Code of Conduct and PCC/Officer Protocol.

In respect of the period from 1st April 2013 to the date of issuing this statement, no issues have been raised with the Committee in respect of the operation of the Commissioner's Codes of Conduct/Protocols and the Committee has not received any standards appeals.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP3/1: During 2014/15 the Chief Executive will develop and present to the Joint Audit and Standards Committee new reports monitoring the operation and effectiveness of arrangements for anti-fraud and corruption, the code of conduct and the PCC/Officer protocol.

² CIPFA Audit Committees\Practical Guidance for Local Authorities and Police 2013 Edition

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

All decision making operates within the specific legislative and regulatory frameworks that confer on the Commissioner duties, powers and responsibility. The regulatory framework is implemented through the Commissioner's decision-making policy and process that adheres to the Good Governance Standard for Public Services and the Good Administrative Practice 2.

During the 2013-14 financial year the Commissioner made 49 decisions that have all been recorded and published on the Commissioner's website. Of those, in the interests of openness and transparency, only 13 (26%) were taken as non-public part two items. The range of decisions made included finance and budget, estate, policies, police and crime plan, annual report, policing services and commissioning.

The Joint Audit and Standards Committee has conducted 5 public meetings during the course of the year. As an advisory body, the Committee has undertaken a significant amount of work to review and make recommendations in respect of the Commissioner's arrangements for governance and management of risk. This has included a special meeting of the Committee in February to consider the revised stage 2 governance framework, prior to its adoption by the Commissioner. The Commissioner and the Chief Constable met jointly with the Committee in September in order to receive the views of members prior to authorising the statement of accounts and 2012-13 Governance Statements for publication.

The Chief Executive (monitoring officer) has sought specialist legal advice with regards to the Commissioner's decision making in respect of the former Temporary Chief Constable. Specialist and independent advice was also taken with regards to decision making in respect of the Commissioner's appointment of a new Chief Constable. The appointment panel included representation from the College of Policing. The Deputy Commissioner of the Metropolitan Police acted in an advisory capacity. The appointment, in accordance with regulation, was subject to further scrutiny by the Police and Crime Panel before a formal decision and announcement was made on 9 May 2014.

The Office of Public Engagement is instrumental in influencing key decision making within the OPCC. At a recent round of surgeries it was raised a number of times that people and businesses were becoming increasingly concerned in regard to cyber-crime. As a result the Commissioner has included this within the revised Police and Crime Plan.

Another example of people's and partners views being listened to and actioned is the Cumbria CCTV project. The Constabulary and District Councils highlighted the potential future demise of the existing CCTV system and this together with a petition in the north of the county demonstrated how people felt reassured by CCTV and the need to have a county wide solution. The Commissioner listened to these

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views and a new county wide CCTV system is to be launched in December 2014.

The Executive Board has received quarterly reports for scrutiny that detail all complaints received in respect of the Chief Constable, Cumbria Constabulary, and any quality of service issues. The types of quality of service issues raised include Anti-Social Behaviour, Driving/Traffic issues, the Policing Service provided, Case Handling and Police Response. In order for the Commissioner to deal with the matters the issues are raised with the Constabulary and an appropriate solution or response is provided either directly to the individual or to OPCC staff to deal with. All responses are monitored by OPCC staff to ensure they are dealt with in a timely manner and to a satisfactory conclusion.

Of the 21 complaints received by the Commissioner, 86% (18) were passed to the Constabulary to deal with as they did not fall within the Commissioner's statutory authority, i.e. they were regarding an officer below the rank of Chief Constable.

The Police and Crime Panel have met 5 times over the course of the year. Their role is to hold the Commissioner to account for providing policing services within Cumbria. They have scrutinised the Commissioner in relation to his Police and Crime Plan, Annual Report, and Budget & Finance decisions. Priority areas for scrutiny by the Panel are considered in accordance with a programme of reporting agreed between the Panel and the Commissioner. The Panel have also considered 9 complaints received regarding the Commissioner.

To enable the Commissioner to carry out his functions effectively they must monitor and react appropriately to risks. To ensure this a Risk Management Strategy was developed and approved; risks are reviewed on a quarterly basis and registers are monitored by the Joint Audit and Standards Committee. Risk management is embedded within all aspects of the Commissioner's work.

The Constabulary's strategic risk register is presented on a quarterly basis to the Executive Board to enable the Commissioner to have oversight and scrutiny of the risks facing the Constabulary.

An annually developed internal audit plan uses risk as the basis of developing an audit programme to assess the sufficiency of internal controls and their operational effectiveness. During 2013-14 internal audit have undertaken a substantial review of their approach to audit and risk in line with the new Public Sector Internal Audit Standards (PSIAS) that came into effect on April 1st 2013. The review has been supported by an external assessment by Grant Thornton with the outcome presented to the Joint Audit and Standards Committee on March 31 2014.

The impact of that review has been the development of a risk based audit planning process that has a significantly wider focus across the business than has previously been the case. The risk based focus recognises that the most significant areas of business risk can be within non-financial systems and processes.

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The audit plan for 2014-15 developed using this approach has been subject to review by members of the Joint Audit and Standards Committee prior to being signed off by the Commissioner and Chief Constable. Significantly the plan includes audit work covering:

- The adequacy and effectiveness of arrangements for data quality, call handling and dispatch within the new centralised communication center
- Audit work to provide assurances with regard to the adequacy and effectiveness of custody arrangements to minimise the risk of death in custody
- Audits of the arrangements for policy development and absence management
- Risk based cyclical audits of the financial systems based on a three year audit interval

Work during 2013-14 as part of this review has also resulted in the re-design of audit reports to improve the quality and accessibility of audit judgements. The reports include a specific section on risk exposure.

The 2013/14 audit plan provided assurance across a range of areas of audit work. This included the main financial systems, treasury management, budget management, payroll and pensions and the capital programme. In addition to the financial audits, work was undertaken to review the internal control frameworks in respect of integrity arrangements, two areas of data quality and seized/held property. Auditors also provided a report on a policing incident in respect of the Appleby Fair. Financial audits consistently achieve a good or satisfactory rating. Non-financial audits have received satisfactory, fair and

weak assurance. Fair and weak audit assurance reports have been escalated to the Commissioner's Executive Board to ensure the timely implementation of audit recommendations. The pattern of assurance across non-financial audits has supported the decision within the 2014-15 audit plan to place greater focus on wider business risk with cyclical reviews of the financial systems.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP4/1: During 2014-15, the Chief Executive plans to run a risk management seminar supported by the Commissioner's risk management advisors (RMP). The seminar aims to engage all OPCC staff in maintaining an up to date awareness of the approach to risk management. It will give consideration to risk appetite and seek to further develop the OPCC's understanding of the risks arising from responsibilities for victims' commissioning.

CP4/2: During 2014-15 the Chief Executive will develop and present to the Joint Audit and Standards Committee a new annual report monitoring the operation of arrangements for Risk Management.

CP4/3: During 2014-15 the internal audit shared service will continue to implement the remaining actions arising from the review of the service by Grant Thornton and against the new Public Sector Internal Audit Standards. Further detail of the actions can be found within the Chief Finance Officer's annual report on the effectiveness of arrangements for audit.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2013-14 the Commissioner and the Commissioner's officers have received daily APCC briefings in addition to a number of investigative and review reports and updated guidance from a range of national bodies and organisations. These include updated guidance and research papers from Grant Thornton and CIPFA in addition to HMIC inspection reports. Significant publications have included the NAO's report on Police Accountability, the Centre for Public Scrutiny (CfPS) research report on Police and Crime Panels, HMIC's State of Policing and the Home Affairs Committee series of reports on Police and Crime Commissioners.

The Chief Executive is further supported through the Association of Police and Crime Chief Executives (APACCE). During 2013-14, to strengthen the arrangements for providing peer support, Chief Executive Members of that group have worked to develop and circulate 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 developing role of Police and Crime Commissioners. APACCE has also arranged regular meetings for Chief Executives to meet Home Office officials and arranged a buddying system for Chief Executives and senior civil servants. Advice and support is also available through the regional (North West and North Wales) Chief Executives Group, which meets on a quarterly basis.

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. Separate discussions have also taken place with the Lancashire OPCC with a view to exploring the possibility of collaborative working on restorative justice, support to victims and supporting the Transforming Rehabilitation process.

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. This has included a number of briefing papers and events over the year focused on the funding formula review. Officers within the finance team have also attended a number of events run by CIPFA and Grant Thornton to ensure their understanding of the developing issues with regard to the Commissioner and Chief Constable's statement of accounts. In March 2014 CIPFA revised its guidance on the role of the CFO³ providing further guidance following stage 2 transfer. The role of the Chief Finance Officer has been carried out in compliance with CIPFA guidance (2012) during 2013-14.

³ 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

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Challenges with regard to capacity within the finance function have been addressed with support from members of the Joint Audit and Standards Committee. A re-structure has established a formal assistant CFO post reporting to the deputy CFO. In addition, a training plan has also been developed that provides support to and places on a formal basis arrangements for professional qualifications (Association of Accounting Technicians & CIPFA professional qualification). Both of these measures also aim to support staff development and succession planning in recognition of the growing challenges in the recruitment of suitably qualified and experienced staff within Cumbria.

During the year a tender process has been run to procure specialist taxation advice and specialist advice in respect of treasury management services. Qualitative bids were received from a number of firms, providing confidence that the successful tender proposal can provide effective specialist support. The specification for Treasury Management included a new requirement in respect of advice for borrowing. This is in recognition of the underlying need to borrow within the Commissioner's overall financial position and that consideration needs to be given to the timing and structure of future borrowing requirements.

Further specialist support has been provided to the office during 2013-14 through secondment agreements entered into with Victim Support, the Probation Service and the County Council Youth Offending Service. The agreements have provided additional temporary capacity to develop expertise in support of the priorities within the Police and Crime plan and prepare for the statutory and regulatory responsibilities for victims and victim based restorative justice.

The capacity and skills needed to deliver support in respect of the Commissioner's wider responsibilities for community safety, enhancing criminal justice and supporting victims, has been recognised through an internal restructure of the Commissioner's office. The restructure has placed more emphasis on partnerships, victims support and victims advocacy. Job roles have been revised to make responsibilities clear and ensure staff resources are appropriately aligned. The structure has included the appointment of a Victims Advocate to support the transition from national to local victims support services and commission services locally.

All staff within the office have undertaken a personal development review process to ensure they have the skills to be effective in their roles. Specific training has been provided for staff in the areas of advanced Microsoft Word, Excel, freedom of Information, media management, coaching and fire safety.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. The overall conclusions from that review are that the Audit and Standards Committee is extremely effective in its operation. The review has demonstrated that within the areas of the CIPFA self-assessment the Committee can evidence substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as being evidence of effectiveness.

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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. In areas where the Committee has not achieved a grade 5 there are plans to improve and develop the arrangements within the Committee's 2014-15 work programme. 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>.

During 2013-14 to date, four Induction Training Courses have been held for new Independent Custody Visitors (ICV's), in Penrith on 5 April 2013; Kendal on 22 November 2013; Workington on 28 February 2014 and Carlisle on 2 May 2014. 23 new ICVs in total were trained during 2013-14. At the time of writing, membership of each of the panels stands at: Barrow 11; Kendal 10; North Cumbria 12 and West Cumbria 12. Barrow and Kendal have decided not to fill their remaining vacancies at the present time as they feel they have sufficient members to give an appropriate balance between workload and resources.

The 2013 ICV Cumbria Conference was held on Saturday 27 April in Kendal and dealt with a range of subjects. This included the care and welfare of persons detained in Police Custody as a place of safety under Section 136 of the Mental Health Act and the use of restraint within Custody. The 2014 Conference was held on Saturday 26 April in Penrith and dealt with issues including Human Trafficking and Sexual and Domestic Violence.

In addition to the Cumbria Conferences, a number of ICV's attended the 2013 Regional Conference held on Saturday 21 September at Haydock Park Racecourse. The event covered a range of issues including Risk Management and the Prevention of Deaths in Custody; and regional perspectives on Human Trafficking and Mental Health.

During the year the Commissioner received additional one-off funding to enhance the capacity and capability of the voluntary, community and social enterprise sector to support victims of crime, enhance the capacity within the office to prepare for local commissioning of victim support and develop capacity within the arrangements for restorative justice. The funding has contributed to a number of schemes through providing grant support to third sector organisations to grow and train both volunteers and professional support for victims of domestic and sexual violence and hate crime. Capacity within the office to deliver longer term accessible information for victims has been supported through the appointment of a Victim's Advocate and the commissioning of a victims information portal.

AREAS FOR FURTHER DEVELOPMENT

CP5/1: Over the next financial year the Commissioner will receive support as a member of North West Employers to develop internal arrangements for human resource policies and procedures following from the stage 2 transfer.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Policing Protocol Order highlights the accountability of the Police and Crime Commissioner to local people. It sets out the Commissioners legal power and duty to provide the local link between the police and communities, working to translate the legitimate desires and aspiration of the public into action. This responsibility is delivered through an Office of Public Engagement to ensure a wide range of engagement approaches so that the Commissioner actively listens, considers and effectively uses the views of the people of Cumbria and is accountable. During 2013-14, the Commissioner has:

- carried out more than 100 public engagement events, ranging from surgery style events, 'drop-ins' at supermarkets, walkabouts with Constabulary Neighbourhood Policing Teams, attendance at neighborhood forums, community meetings, parish councils, meetings with various groups i.e. disability, LGBT, and county shows. Attended numerous meetings with local councillors and MPs;
- Hosted two conferences, one on victims and one on sexual/domestic violence;
- Published online and circulated by email and community messaging, a monthly newsletter, and contributed to other newsletters;
- Taken part in a wide range of media activities and interviews;
- Conducted surveys on rural crime, and policing priorities, through a mixture of both online and face-to-face methods during themed engagement events;
- Promoted events and activity and maintain a presence using social media i.e. Twitter and Facebook;
- Launched three funds which invite applications from community groups for them to tackle priorities in the Police and Crime Plan: The Property Fund, the Community Fund and the Innovation Fund;
- Dealt with 112 'Quality of Service' complaints from members of the public;
- Hosted an on-line webchat about rural crime.

The Commissioner provided the Police and Crime Panel with his first annual report on 19 July 2013. The annual report, entitled "Making Cumbria an Even Safer Place", provided detail on crime and anti- social behaviour, the establishment within the OPCC of the Office of Victim Services and the Office of Public Engagement, policing within Cumbria, how the Commissioner had responded to issues raised during community engagement activity and future priorities. During the course of the year the Panel have scrutinised the Commissioner in relation to his Police and Crime Plan, Annual Report, and Budget & Finance decisions. The Panel have also developed jointly with the Commissioner a programme to enable the scrutiny of priority areas from within the Police and Crime Plan and some of the areas scrutinised have included Hate Crime, youth justice and adult offending and veterans. The Panel have also considered 9 complaints received regarding the Commissioner. Communities in Cumbria have contacted the Commissioner to make complaints and raise quality of service issues. In the year 2013-14 the Commissioner received 112 quality of service complaints from members of the public. These issues were then raised with the Constabulary to deal with the issues and monitored by OPCC staff to ensure a timely and appropriate solution was found.

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Only 1 issue remains to be completed and mediation is taking place to resolve the matter.

Of the 21 complaints received by the Commissioner 18 (86%) were passed to the Constabulary to deal with in line with statutory legislation and authorities. Of the remaining 3 (14%) the complainant was seeking the Commissioner's intervention following the conclusion of the Constabulary dealing with their complaint. In these instances OPCC staff provided appropriate guidance and advice on appeal processes available to the individual.

The Commissioner's first set of audited accounts were signed on 23 September 2013 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 commissioner as at 31 March 2013 and that they have been properly prepared in accordance with CIPFA/LASAAC⁴ Code of Practice on Local Authority Accounting. The auditors further confirmed in their annual governance report on 23 September 2013 a positive conclusion with regards to securing value for money.

In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 & 2012 and the guidance provided by the Information Commissioner a range of information has been made publically available through the Commissioners website over the course of the

year. This has included agenda and reports for the public Executive Board meetings and the Joint Audit and Standards Committee, guidance and application packs for the Commissioner's three funds, Freedom of Information disclosure logs, financial information and strategies. The Commissioner's monthly Executive Board meetings have also been opened to attendance by the press and public, resulting in the decision making process becoming more open and transparent.

The Commissioner conducted a formal consultation with staff in respect of proposed change to the OPCC staffing structure. This included the opportunity for staff to feedback on the overall proposal and on changes and developments in job roles. The staffing structure and role profiles for the OPCC are publically available on the Commissioner's website.

⁴ The Chartered Institute of Public Finance and Accountancy and the Local Authority Scotland Accounts Advisory Committee

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AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP6/1: During 2013-14 CIPFA issued new guidance specifically aimed at making the statement of accounts more accessible for readers. During the process for preparing the 2013-14 financial statements initial work has been undertaken to consider the guidance and review the presentation and disclosures made in the statements. As part of this work more use has been made of text boxes to explain technical terms, language and explanations have been reviewed and where possible revised, non-material items have been removed to de-clutter the accounts and the summary financial statements have been re-written to improve their accessibility to the wider public. This work will continue during 2014/15 with a view to considering further changes that can be made, including the increased use of diagrams and graphics to more easily explain the financial position and statements.

CP6/2: In line with requirements detailed within the Specified Information Order work will be undertaken with the Constabulary to enable the publication of contracts exceeding a value of £10,000.

APPENDIX A: 2014-15 DEVELOPMENT AND IMPROVEMENT PLAN

APPENDIX B: 2013-14 DEVELOPMENT AND IMPROVEMENT PLAN UPDATE

FURTHER INFORMATION

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

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

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Carleton Hall
Penrith
Cumbria CA10 2AU

Telephone: 01768 217734

E-mail: commissioner@cumbria-pcc.gov.uk



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Chief Executive OPCC

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APPENDIX A: 2014-15 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Responsibility	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.		
CP1/1	Model the impact of potential changes to grant income arising from the review of the police funding formula.	Chief Finance Officer	31-Mar-15
CP1/2	Establish a charitable trust and put in place the arrangements from April 2015 for local commissioning of victim referral and support services.	Chief Executive	31-Mar-15
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.		
CP2/1	Deliver a sexual assault referral centre and joined-up system of follow-up health and emotional support services.	Chief Executive	30-Apr-15
CP2/2	Work with partners to increase the use of quality Restorative Justice through the development of a multi-agency approach.	Chief Executive	31-Mar-15
CP2/3	Deliver improvements in services to victims in line with the Victims and Witnesses Action Plan and develop compliance with the Victims' Code of Practice, including specific improvements in relation to domestic and sexual violence identified in the 'Taking the Next Steps' review.	Chief Executive	31-Mar-15
CP2/4	Develop a prioritised plan for action and partnership working to make improvements in youth justice based on the findings of the review of youth justice.	Chief Executive	31-Mar-16
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.		
CP3/1	Develop and present to the Joint Audit and Standards Committee new reports monitoring the operation and effectiveness of arrangements for anti-fraud and corruption, the code of conduct and the PCC/Officer protocol	Chief Executive	31-May-15
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.		
CP4/1	Implement a risk management development seminar for OPCC staff	Chief Executive	31-Mar-15
CP4/2	Develop and present a report to the Joint Audit and Standards Committee on the operation and effectiveness of the arrangements for risk management	Chief Executive	31-Mar-15
CP4/3	Implement actions arising from the review of internal audit by Grant Thornton and against the PSIAS	Chief Finance Officer	31-Mar-15
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.		
CP5/1	Develop the arrangements for human resource policies following stage 2 transfer	Head of Communications and Business services	31-Mar-15
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.		
CP6/1	Improve the presentation and accessibility of the statements of accounts and summary financial statements	Chief Finance Officer	31-Oct-14
CP6/2	Work with the Constabulary to fully comply with information publication requirements for contracts	Chief Finance Officer	31-Mar-15

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APPENDIX B: 2013-14 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Action Complete	Responsibility	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.			
4.12	Review all governance documents and amend for the implications of stage 2 transfers.	<i>Action Complete – documents reviewed and presented to JA&S on February 7 2014 & approved by the Commissioner on 27 March 2014</i>	Chief Finance Officer	31-Mar-14
4.13	Review and amend the funding agreement between the Commissioner and Constabulary to reflect financial implications of stage 2 transfers.	<i>Action Complete – Timescales were delayed due to late issue of precept determination. Funding agreement approved by the Commissioner on 27 March 2014</i>	Chief Finance Officer	31-Dec-13
4.14	Develop arrangements for the Office of Victim Services.	<i>The Office of Victim Services was launched in March 2013. An independent review of victim services has taken place and the feedback from victims has been that they wanted to be treated with dignity & respect. The Commissioner is now leading a multi-agency action plan to improve support to victims and this is being supported by a newly appointed Victims Advocate. Future funding for services to support victims will be devolved to the Police and Crime Commissioner in April 2015 and this will enable future commissioning of services to be undertaken at a local level.</i>	Engagement & Media Executive	31-Mar-14
4.15	Develop and implement Commissioning strategies / accountability frameworks.	<i>Action complete but delivered across mixed deadlines due to capacity issues – Governance in respect of grant funding for the community fund and innovation fund were approved on the 6 Nov 13 and 4 Dec 13 respectively. The wider Commissioning Strategy was approved on the 27 March 2014 with supporting grant regulations approved on 7 May 2014.</i>	Chief Finance Officer	31-Dec-13
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.			
5.20	Consolidate all governance documents into a single constitution.	<i>Action Complete - The wider governance framework has been updated to take into account the stage 2 transfer and the Commissioner's restructure. In lieu of a formal constitution document, these arrangements have been consolidated within a substantially revised Code of Corporate Governance supported by a schematic that sets out the governance framework and inter-relationships between key elements of internal control. This was considered to be a more accessible format than a traditional constitution document. The revised Code and Schematic were approved on 24 June 2014.</i>	Chief Finance Officer	30-Jun-14
5.21	Review arrangements for the Executive Board / decision making.	<i>Action Complete - The Executive Board and the decision making process was reviewed in summer 2013. As a result Executive Board meetings are now held in public and the public and media are invited each month to attend. Executive board papers are placed on the website seven days in advance of the meeting and the link is sent to all the local media.</i>	Engagement & Media Executive	31-Mar-14
5.22	Review Partnership arrangements for Community Safety Partnerships.	<i>Action completed – A review of arrangements for supporting and engaging CSPs was undertaken and implemented in consultation with CSP Chairs, including the development of grant funding processes to support this.</i>	Chief Executive	31-Dec-13

Annex B – Annual Governance Statement

Ref	Action	Action Complete	Responsibility	Deadline
5.23	Develop Partnership strategies to progress Police and Crime Plan priorities.	<i>Partnership strategies or actions plans have been developed through partnership groups in relation to alcohol harm, victims and witnesses, domestic abuse, sexual violence, hate crime. A partnership group is developing a strategy related to the Armed Forces Covenant and veterans. A Joint PCC-Constabulary Rural Crime Strategy has been developed, with support of many stakeholders. An Out of Court Disposal scrutiny strategy has been developed and implemented. Youth justice will be dealt with during 2014-15 and 2015-16 due to limited OPCC and partner capacity to drive significant change across a significant number of different issues. An action is set out in the 2014-15 AGS action plan.</i>	Chief Executive	31-Mar-14
5.24	Develop and implement a joint action plan/undertake an integrity Audit	<i>Action completed – Integrity Audit undertaken and recommendations actioned. Action Plans to address the recommendations arising from the South Wales Police investigation have been developed and largely implemented.</i>	Chief Executive	31-Mar-14
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.			
6.11	Audit Committee Review of effectiveness.	<i>Action Complete – formal assessment of the effectiveness of the Committee undertaken against the CIPFA guidance and standards set out in the 2013 audit committees\practical guidance for local authorities and police was completed May 2014. The outcome of the review was formally reported to the Commissioner and Chief Constable as part of the arrangements for governance, on 24 June 2014.</i>	Chief Finance Officer / Audit Committee Chair	31-May-14
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.			
7.12	Review of decision making and risk management in the context of new responsibilities from 2014/15.	<i>Action partially complete: Decision making complete – see 5.21. Risk management arrangements have been reviewed as part of the arrangements for reviewing governance and implementing a revised risk management strategy. Further development work will continue in 2014-15. An action has been included within the 2014-15 AGS action plan.</i>	Engagement & Media Executive	31-Mar-14
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.			
8.12	Review of arrangements for accessing development opportunities, skill and knowledge updates for the Commissioner.	<i>Action Completed – Access to support regionally and nationally for the Commissioner and staff in place and subject to continued review.</i>	Chief Executive	31-Mar-14
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.			
9.9	Arrangements for communication / briefing staff on the policy framework and its application following review.	<i>Action partially completed – Review of OPCC structure completed but work on the policy framework is still ongoing with support of North West Employers. Action included within the 2014-15 AGS action plan.</i>	Chief Executive	31-Mar-14

Annex B – Annual Governance Statement

Ref	Action		Responsibility	Deadline
9.1	Review publication scheme and public access to information / meetings.	<i>Action Complete - The Publication Scheme has been reviewed on a number of occasions throughout the year to ensure that all the statutory obligations are met. There is just one area that the OPCC is unable to meet and this is the publication of all contracts over £10,000. This has been identified as a future piece of work. Public access to information has been significantly improved with the monthly Executive Boards now being held in public. The website is used as the main source of information for people and last figures show that more people are using this as a source of information however, we always ask people to contact the office directly if they do not have access to a computer. The Commissioner has a range of information publications such as the Police and Crime Plan and Annual Report when he attends any public meetings.</i>	Engagement & Media Executive	28-Feb-14





Agenda Item Number - 7(i)

Annual Statement of Accounts 2013-14: Assurance Framework

Chief Officer Group & Audit and Standards Committee 22nd September 2014

Report of the Chief Constable's Chief Finance Officer

1. Introduction and Background

1.1 This report sets out for the Chief Constable and members of the Audit and Standards Committee, those areas of governance and audit pertaining to scrutiny and formal approval of the 2013-14 Statement of Accounts. This report covers the single entity financial statements of the Chief Constable for Cumbria Constabulary. The report sets out the opinion of the Chief Constable'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 Grant Thornton UK LLP, the Chief Constable'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 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. It also sets out how the Chief Constable has responded to CIPFA's November 2013 publication setting out good practice in relation to the financial statements.

2. Formal Approval of the Audited Statements

2.1 The Statement of Accounts were authorised by the Chief Finance Officer on 25th June 2014 in accordance with the 2011 Accounts and Audit Regulations. The audit having now been completed, the Chief Finance Officer is required to again certify the statements and present them to the Chief Constable for formal approval. Prior to certification the Chief Constable will take into consideration the Audit Findings Report from Ms Blatcher, the appointed auditor. The Chief Constable will also take into consideration the views of members of the 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 Chief Constable.

3. Appointed Auditor's Findings Report

3.1 Preceding this item on your agenda is the Audit Findings Report from Fiona Blatcher, of Grant Thornton UK LLP, the Chief Constable's appointed auditor. Ms Blatcher reports on her completion of the annual audit of the Statements of Account for 2013-14. The Chief Constable and members of the Audit and Standards Committee will be pleased to see her intention, based on her findings to date, to issue unqualified audit opinions in respect of the Statement of Accounts for the year to 31 March 2014 and in respect of the Chief Constable's arrangements to secure Value for Money.

3.2 The primary financial statements are the movement in reserves statement (MIRS), the comprehensive income and expenditure statement (CI&ES), the balance sheet and cash flow statement. The auditors have not identified any misstatements in respect of the principle statements within the Chief Constable's accounts.

3.3 A small number of amendments have been made within the notes to the financial statements, principally regarding:

- Revised definitions and terminology in relation to pension disclosures as a result of changes to International Accounting Standard 19.
- Inclusion of additional analysis in relation to the reclassification of pensions reserves from usable to unusable reserves.
- Inclusion of a note to the cash-flow statement providing a breakdown of the adjustments to the net deficit on the provision of services for non-cash movements.

3.4 The Chief Constable and members of the Committee will also be pleased to note the auditor's positive conclusions that the statements were prepared to a good standard and supported by good quality working papers. In addition, the Auditors also make specific recognition of the efforts of the Financial Services team to de-clutter the financial statements in line with recent CIPFA guidance, which has had the effect of improving the readability and clarity of the accounts.

3.5 The Auditor's report has not identified any significant internal control deficiencies which need to be raised with the Chief Constable.

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 Code require adjustment or disclosure. No post balance sheet events are disclosed within the 2013-14 accounts.

5. 2013-14 Governance Statement

5.1 The Chief Constable approved his Governance Statement for the period 01 April to approval of the 2013/14 Statement of Accounts on 25th June, however the Statement made clear that governance matters would continue to be kept under review against emerging issues.

5.2 A small number of amendments have been made to the Chief Constable's Governance Statement following suggestions by the external auditors. In particular specific reference has been incorporated into the statement to recognise the Chief Finance Officer's compliance with CIPFA's 2010 and subsequent guidance on the role of the Chief Finance Officer and also to explain the role of the Director of Legal Services in providing scrutiny of the legality of the Chief Constable's actions and decisions.

6. Letter 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 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 letter sets 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 letter also confirms that there has been full disclosure of all matters requiring disclosure to our auditors. The Letter of Management Representation is attached at appendix b.

7. Acknowledgements

7.1 The work undertaken in preparing the Statements of Account and supporting the audit for the year places very significant demands on staff within the finance services team. Particular acknowledgement is given to Michelle Bellis, Deputy Chief Finance Officer and Lorraine Holme, Principal Finance Services Officer, for their work in preparing the statements and in securing a clean audit opinion for the Chief Constable's single entity accounts. This report also acknowledges the work undertaken by our colleagues in external audit headed by Fiona Blatcher and Richard McGahon.

8. Recommendations

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

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

Roger Marshall
Chief Finance Officer
8th September 2014

Statement of Accounts Narrative 2013-14

1. Introduction and Background

1.1 The Chief Constable will sign the annual statement of account following audit and the review process by the Audit and Standards Committee. Members of the 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 Chief Constable and Members of the 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 and issues. 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 Chief Constable 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 31st 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 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 Chief Finance Officer (CFO), the opinion of the Chief Internal Auditor and the opinion of the Appointed Auditor.

These opinions are supported by the statements made by the Chief Constable's Chief Finance Officer on behalf of the Chief Constable, with the letter of representation and by the Chief Constable's Annual Governance Statement, signed by the Chief Constable and the Chief Constable's CFO.

2.2.1 The Chief Finance Officer's (CFO) Annual Review of Internal Audit: The CFO will annually provide to members a report on the effectiveness of the arrangements for audit. In presenting this opinion, the CFO will take into account the opinion of the external auditors on the quality of the internal audit function. The CFO will also consider how well the function complies with the Public Sector Internal Audit Standards (PSIAS) introduced with applicability from 1st April 2013. The external auditors advised members of the Joint Audit and Standards Committee and the Chief Constable within their audit plan 31st March 2014 that 'the internal audit service continues to provide an independent and effective service to the Commissioner and the Chief Constable. The Chief Constable has approved an Internal Audit Charter in compliance with the PSIAS and members of the Committee have received reports from the Head of Internal Audit on the implementation of actions that ensure full compliance of the audit service with the Charter and Standards. The Chief Finance Officer's 2013-14 review included a review of the effectiveness of the audit committee in fulfilling its assurance function. The review concluded that there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2014. This assurance enables the Chief Constable and members of the Audit and Standards Committee to place reliance on the opinion of the Chief Internal Auditor and findings of internal audit.

2.2.2 The opinion of the Chief Internal Auditor (CIA): The CIA 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. The CIA's opinion for 2013/14 is that "I am satisfied that sufficient internal audit work has been undertaken to allow me to give a reasonable conclusion on the adequacy and effectiveness of risk management, governance and internal control. I can also report that there has been no threat to the independence of internal audit that would impact on the provision of my annual opinion statement. In my opinion, the PCC and Constabulary's frameworks of governance, risk and internal control is reasonable and audit testing has confirmed that controls are generally working effectively in practice".

The opinion is based on 17 audits. 9 of those have concluded that compliance with controls is 'good', of the remaining reports 5 have been awarded a 'satisfactory' conclusion, 2 received a 'fair' conclusion and 1 has received a 'weak' conclusion. All 9 audit reports receiving a conclusion of Good were in relation to financial audits. These audits have covered the main financial system, payroll, pensions, the capital programme, treasury management, income and banking and budget management. 2 financial audits (debtors and financial administration with the Territorial Policing Areas (TPA's)) received a satisfactory audit conclusion. There were no financial audits receiving a conclusion below the level of satisfactory. Collectively, the findings of financial audits reported to the Audit and Standards Committee and the overall opinion of the Chief Internal Auditor will provide assurance to members 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

2.2.3 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 transaction. 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. The annual report of the Appointed Auditor is made to the Chief Constable and Members preceding this item on the agenda and presents the Appointed Auditor's intention to issue an **"unqualified audit opinion"** on the financial statements.

2.2.4 The Letter of Representation: The letter of representation is provided at appendix b and referenced in the main body of this report. The letter provides assurances from the Chief Constable to the Appointed Auditor. The letter is written on behalf of the Chief Constable by the Chief Finance Officer. That officer, as required under legislation, must be financially qualified. Within the Constabulary, that officer is a member of the Chartered Institute of Public Finance and Accountancy 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 Chief Finance Officer in the letter of representation on behalf of the Chief Constable. There have been no specific issues raised by the Chief Constable in the letter of representation for 2013-14 and all appropriate assurance have been provided to the external auditors.

2.2.5 The Annual Governance Statement: The Annual Governance Statement (AGS) was presented to members in June with a number of supporting governance papers including the Code of Corporate Governance. The Code of Corporate Governance sets out the Chief Constable's arrangements for governance including financial governance. The AGS details how the Chief Constable has complied with the governance framework set out within the Code. The AGS is signed by the Chief Constable and the Chief Constable's Chief Finance Officer. The Annual Governance Statement is submitted for examination by the Chief Constable's Internal Auditors. Together the Code and AGS provide members with assurance that the Chief Constable has in place appropriate arrangements for financial and wider governance matters including arrangements for managing risks and internal controls.

2.3 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 Chief Constable in reviewing the financial statements.

3. Key Challenges and Issues

3.1 The Police Reform and Social Responsibility Act 2011 (PRSRA) established the Police and Crime Commissioner (PCC) and the Chief Constable (CC) as separate corporate entities on the 22nd November 2012. The implications of this change are that there is a requirement for the PCC and the CC to have single entity Statement of Accounts and for a consolidated group Statement of Accounts. To achieve this, consideration needs to be given to whether income and expenditure and assets and liabilities should be disclosed within the single entity statements of the PCC or the CC. On consolidation any inter-entity transactions must be written out of the group statements.

3.2 During 2013/14 all staff were employed by the Commissioner and the Commissioner had ownership and control of all assets. Staff are however managed by the Chief Constable and/or the Commissioner and the Commissioner's assets are used to deliver police services directed by the CC. The Commissioner holds and operates all arrangements for banking and treasury activity, including the raising of orders and payment of invoices. The significant proportion of these transactions are for supplies and services consumed by the Constabulary. Staff under the management of the Chief Constable carry out the financial administrative support. These arrangements mean that the allocation of income and expenditure and assets and liabilities between the single entity financial statements are complex. This paper sets out the key accounting considerations and the rationale that influences decision making in respect of how these matters are presented within the statements.

Group Accounts: Determining that the relationship between the PCC and CC is one of

control such that the CC is a subsidiary and there is a requirement for group accounts.

The Code of Practice on Local Authority Accounting defines a subsidiary as an entity that is controlled by another entity. Control is defined in a number of ways, including the power to govern financial and operating policies under statute or an agreement, and the power to appoint or remove the governing body.

With regard to the relationship between the PCC and CC in respect of governing operating policies the relationship was considered to be more accurately defined as one where the PCC has significant influence rather than control. This is because the PCC influences operational policy by setting the strategic direction for policing through the Police and Crime Plan. It is however difficult to make a case that the relationship is one of control or joint control over those policies given the CC's operational independence. Control is stronger over finance policy as a result of the PCC's decision making autonomy in respect of the budget, and the controls that operate through the funding agreement between the PCC and CC. In addition and significantly, the PCC has the power to appoint or remove the CC (the governing body). Collectively this was considered to amount to a relationship of control and as such the CC is considered a subsidiary with a requirement for group accounts.

Disclosure of Resources: The extent to which police officers, civilian members of police staff, other police staff and assets should be disclosed with their associated liabilities within the PCC or CC financial statements.

Within the accounts expenditure on staffing resources and assets within the Comprehensive Income and Expenditure Statement is matched by respective assets and liabilities on the Balance Sheet. The liabilities include issues such as pensions fund deficits (assets) that are accounted for on an IFRS basis and adjusted through the statutory override. In producing the single entity statements this means that decisions have to be taken on:

- the balance of control and economic benefit over resources in order to establish where the primary disclosures should be made
- an appropriate means of charging some of the expenditure from the primary disclosure to the other entity to reflect the shared use of some assets and staff resources

Decision making was primarily underpinned by the respective statutory duties and responsibilities of the PCC and CC as set out in the PRSRA 2011 and the Policing Protocol Order (PPO). This was further

supported by the governance arrangements and in particular the scheme of delegation and the funding agreement.

Of most significance in regard to the treatment of assets and staffing resources is the issue of control and receipt of economic benefit. The following statutory points were considered to be relevant:

- The Commissioner's functions in relation to policing are to secure the maintenance of the force and ensure that it is efficient and effective. The Commissioner holds the CC to account for his/her functions and the functions of persons under the direction and control of the CC. The Commissioner is also responsible for setting the strategic direction of the force and policing objectives through the Police and Crime Plan.
- The CC has a number of statutory functions, of significance is responsibility for maintaining the Queen's peace through the exercise of police powers. Police officers and civilian staff (defined in the PRSRA 2011 as employed solely to assist the force) are directed and controlled by the CC towards policing activity to fulfil these functions. The CC is accountable for supporting the PCC in the delivery of the strategy and objectives set out in the police and crime plan.
- Whilst the Commissioner holds the CC to account in respect of having regard to the Police and Crime Plan, the CC must be consulted by the Commissioner on the Plan. It is the CC who will largely determine how those objectives are delivered and the allocation of resources to meet them. The CC is also responsible for having regard to the Strategic Policing Requirement as set by the Home Secretary when exercising and planning policing functions. Overall resource allocations therefore take account of the statutory function of maintaining the Queen's peace, the priorities within the police and crime plan (set by the Commissioner but in consultation with the CC) and the Strategic Policing Requirement. The CC has direction and control of Police Officers and all operational staff in making those decisions.
- In respect of economic benefit, both the Commissioner and the CC obtain benefit from the staffing and assets under the CC's direction and control. The argument for economic benefit, given that staffing resources can only be in one set of accounts, would appear to be stronger in respect of maintaining the Queen's peace. This is further supported by Constables holding office under the crown and the CC being accountable to the law for the exercise of police powers. The CC is also responsible to the public. Further to this, the Police and Crime Plan is now a multi-agency strategy through which services are commissioned across a number of partnerships. The assets and resources of wider partners are not being included on the PCC's balance sheet. The policing protocol order states that, 'at all times the Chief Constable, their constables and staff, remain operationally independent in the service of the communities they serve'.

- Public management of the police fund rests with the PCC. The PCC and CC share responsibility for effective management of the policing budget and securing value for money. The CC has day to day responsibility for managing allocated budgets and ensuring financial management is consistent with PCC objectives/conditions. Both operationally and financially the PCC has a strategic and accountability role but the CC has operational control within that strategic framework. The CC is responsible for assisting the PCC in planning the force budget. This provides the PCC with control but the CC will have substantial influence. Influence is likely to be more effectively exercised where the force is performing well and meeting strategic objectives, which is the case in Cumbria. In practice most of the objectives will be shared and heavily influenced by the professional opinion of the CC. These matters will be taken into account by the PCC in exercising the statutory responsibility for the police and crime plan.

- Police officer and civilian staff of the force are required statutorily to be under the direction and control of the Chief Constable irrespective of the legal employer. The CC must exercise his/her powers of direction and control in a way to assist the Commissioner but direction and control rests with the Chief Constable and the requirement to delegate control of those resources is statutory. The PCC must not fetter the operational independence of the Police Force and the Chief Constable who leads it. Information required by the PCC from the CC must not fetter the CC's direction and control of the Force. The requirement to consult with the PCC on staffing matters only applies to officers/staff above the rank of Chief Superintendent/police staff equivalents. The PPO also requires the CC to explain to the public the operational actions of officers and staff under their command. The issues of command and direction and control combined with the requirements around operational independence appear to support the CC as the entity that is controlling the majority of staffing resources.

As a result of the statutory requirements to vest direction and control with the CC, the scheme of delegation for Cumbria policing area identifies all police staff that are considered to fall within the definition of civilian staff. The PCC must and has vested all decision making in respect of these staff with the CC. The funding agreement between the PCC and CC passes budget responsibly in respect of these staff to the CC and provides the CC with autonomy of decision making in respect of those budgets. On the basis of direction and control, and on the basis that that the primary purpose of these staff and constables is to maintain the Queen's peace, the costs of police officers and civilian staff are included in the accounts of the CC. Matching principles require related pension liabilities to be treated in the same way.

Police staff that are not employed solely to assist the force (primarily support staff) are identified within the Cumbria policing area as resources for which the PCC and PCC's Chief Executive have

ultimate decision making responsibility. The scheme of delegation does not give direction and control to the CC for this group of staff although the CC may have responsibility for line management. All decision making rests with PCC and the Chief Executive. The budgets for these staff are retained by the PCC under the terms of the funding agreement between the PCC and the CC. The CC has no autonomy in respect of budgets, structures, terms etc in respect of these staff. With regard to the accounts, this staff group is recognised as expenditure within the accounts of the PCC with matching pension fund liabilities.

The single entity accounts are charged with a recharge to reflect the cost of services provided by one entity to another entity where a single team provides support on a shared service basis. This is primarily in respect of support staff expenditure, with costs initially disclosed in the accounts of the PCC, but where services are provided to both the PCC and the CC a charge is made to the CC to reflect the cost of service to the Constabulary.

Capital assets for the balance sheet fall into three main areas, land and property, fleet and ICT. The treatment of these assets is based on the COPLAA non-current assets. The relevant considerations have been:

- Asset recognition: assets are recognised on the balance sheet if it is probable that the future economic benefits or service potential associated with the item will flow to the entity.
- Finance lease: transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not be eventually transferred.
- Operating lease: a lease other than a finance lease
- Whether the lease is a finance lease or operating lease depends on the substance of the transaction rather than the form of the contract.

A review of the control of assets and the risks and rewards pertaining to assets has determined that assets will be disclosed on the balance sheet of the PCC. This has been based on:

- Land and property assets: the PCC effectively acts as a landlord and is the recipient of the economic benefit from the asset in terms of appreciation in value and the capital receipt from disposal. The PCC makes all decisions with regard to property disposal and acquisition. The PCC formally approves the capital strategy and property strategy and retains the budgets for estate management and maintenance. The CC can only enter into contracts to acquire property with the express consent of the PCC and may not own land. No such consents have been given.

- Fleet and ICT assets are controlled by the PCC. The CC has no autonomy to act in respect of any capital budgets. These are all retained by the PCC. The PCC makes all decisions on capital strategy and all capital acquisitions are subject to approval by the PCC through a business case. The CC presents to the PCC asset management strategies in respect of ICT and Fleet but has no independence of action or any authority to enter into contracts without the approval of the PCC. No approval to enter into any contracts has been given. On disposal of assets the PCC is the beneficiary of sale proceeds and funds from his budget any acquisitions.

These arrangements are set out within the scheme of delegation and the funding agreement that governs the relationship between the PCC and CC. A charge is made from the PCC to the CC to reflect the CC's use of PCC assets. All assets are considered to meet the definition of an operating lease with the PCC as the lessor and the CC as lessee.

Debtors, Creditors and Cash

The arrangements between the PCC and CC do not provide any authorisation for the CC to enter into contracts. The PCC operates a bank account and makes all arrangements for the procurement of supplies and services. The making of creditor payments, recovery of debt and management of cash is transacted by the PCC on behalf of both the PCC and the CC. The CC undertakes a number of activities that generate income. The PCC statutorily is the recipient of all income and as such income collection and generation activities are undertaken on behalf of the PCC and all income is receipted to the PCC's bank account. The CC is unable to borrow and has no powers to undertake treasury transactions. The funding agreement between the PCC and CC is made on the basis of cash flow. This means that the CC receives a funding amount up to a maximum level of defined budget but can only claim what has been spent. The PCC makes all payments on behalf of the CC and as such the CC will not have any cash balances.

To reflect these arrangements within the statement of accounts, the PCC's financial statements disclose all external debtor and creditors, reflecting the PCC's liability in respect of these transactions. Both the PCC and CC's financial statements disclose any associated debtor and creditor liability between the entities. These transactions are primarily in respect of the CC's liability to the PCC for external debtors where the CC has utilised the supply or service or the CC's liability to the CC to fund accrued expenditure under the terms of the funding agreement. The PCC's financial statements show all cash transactions other than the movement through the CC's cash flow statement for the net deficit on the C&IES.

2013/14 Financial Year Significant Accounting Changes

The Chief Constable's accounts contain staffing expenditure for police officers and operational staff

and a matched pension liability irrespective of their being employed by the PCC. This presentation resulted in a high level of negative usable reserves within the 2012/13 financial statements of the Chief Constable and the group. This was as a result of the absence of statutory powers to enable the Chief Constable to enact a number of accounting transactions that are made to ensure that income and expenditure, accounted for according to IFRS and codes of practice, impact on the statements only at the amounts that would be a charge to income during the financial year. The Anti-Social Behaviour, Crime and Policing Act 2014 conferred on the CC the necessary powers to enact those transactions. The impact of this change in legislation is that a number of transactions have been made within the 2013/14 financial statements to move those amounts treated in the 2012/13 statements as negative usable reserves to unusable reserves.

Presentation of the Chief Constable's Financial Statements

As part of the process for producing the financial statements a significant amount of work has been undertaken to consider how improvements could be made to financial reporting in the context of the 2013 CIPFA guidance, financial statements\ a good practice guide for local authorities. The guidance explores a number of the factors that influence the technical presentation of the financial statements and that impact on the extent to which the financial statements communicate with the reader in a clear, understandable, interesting and engaging way. The guidance advocates a de-cluttering approach that robustly challenges the need for the volume of information provided within the statements on the grounds of materiality. It also encourages more substantive debate on this issue between those producing the statements and their auditors. Audit requirements are considered to be a significant driver in respect of some of the more detailed information disclosures.

In taking account of this guidance, a number of changes have been made to the presentation of the financial statements. The significant changes include:

Reducing the notes to the financial statements on the grounds of materiality, following discussions with the appointed auditors. A number of areas of the financial statements were reviewed to determine the value of the disclosures in communicating the material elements of the overall financial position. As a result of this work the following notes have been substantially reduced or removed from the financial statements: agency fees, inventories/stocks and trust funds. In other notes such as financial instruments, intangible assets and segmental reporting, changes to the presentation have been made to improve the readability of the accounts. Both of these measures have been well received by the audit team.

Integration of the Introduction to the Financial Statements and the Summary Accounts into a single simplified narrative that is presented at the start of the financial statements and that can also be used

as a standalone summary statement. The document sets out the financial position on the basis of the management accounts, provides a high level financial summary of each of the key financial statements and gives consideration to the financial outlook for future years.

The incorporation of text boxes throughout the statements to highlight and explain a number of the more regularly used technical terms. References to technical terms in the main text are shown in a different font colour and are underlined to highlight for the reader that that the term is explained within the glossary. The narrative has been reviewed and simplified where possible. The narrative is however largely reliant on the example notes within the Code of Practice practitioner's guidance. There is an audit expectation that the financial statements will closely follow the example notes and these notes can be highly technical in their use of language.

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

Grant Thornton UK LLP
Mrs Fiona Blatcher
Associate Director
C/O Lancashire County Council
Portacabin
County Hall
Preston
Lancashire
PR1 8RE

22 September 2014

Dear Mrs Blatcher,

**The Chief Constable for Cumbria Constabulary
Financial Statements for the year ended 31 March 2014**

This representation letter is provided in connection with the audit of the financial statements of The Chief Constable (CC) for Cumbria Constabulary for the year ended 31 March 2014 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.

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

Financial Statements

- i I have fulfilled my 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 Great Britain ("the Code") as adapted for International

Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

- ii I have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii As Chief Constable I have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
- iv I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by myself in making accounting estimates, including those measured at fair value, are reasonable.
- vi I am satisfied that the material judgements used by me 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 further material judgements that need to be disclosed.
- vii Except as stated in the financial statements:
 - a. there are on unrecorded liabilities, actual or contingent
 - b. none of the assets of the Constabulary have been assigned, pledged or mortgaged.
 - c. there are on material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I also confirm that all significant retirement 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 International Financial Reporting Standards and the Code.
- x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi The financial statements are free of material misstatements, including omissions.
- xii I have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- xiii I 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. I 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

- xiv I have provided you with:
- a. 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;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Constabulary from whom you determined it necessary to obtain audit evidence.
- xv I have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii I 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.
- xviii I have disclosed to you all information in relation to fraud or suspected fraud that I am aware of and that affects the Constabulary and involves:
- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix I have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Chief Constable's financial statements communicated by employees, former employees, regulators or others.
- xx I 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.
- xxi I have disclosed to you the entity of the CC's related parties and all the related party relationships and transactions of which I am aware.

xxii I 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

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

Approval

The approval of this letter of representation was minuted by the Chief Officer Group at its meeting on 22 September 2014.

Signed by The Chief Constable for Cumbria Constabulary

Mr Jerry Graham
Chief Constable
22 September 2014



The Chief Constable for Cumbria Constabulary

Statement of Accounts | 2013/14





The Chief Constable for Cumbria
Constabulary

Statement of Accounts 2013/14

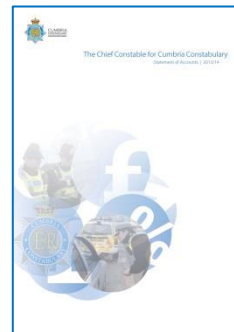
About this Publication

This publication contains the single entity financial statements for the Chief Constable for Cumbria Constabulary. All funding for the constabulary comes from the Police and Crime Commissioner for Cumbria (the Commissioner). For an overall (group) financial position please see the Commissioner's Statement of Accounts which incorporates those of the Chief Constable.



The Statement of Accounts for 2013/14 is available on the Constabulary's website at www.cumbria.police.uk

The corresponding accounts for the Police and Crime Commissioner can be found on the Commissioner's website at: www.cumbria-pcc.gov.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 £10 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

The Chief Constable for Cumbria Constabulary

Statement of Accounts 2013/14

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The CC CFO Introduction, for a quick highly summarised version of this statement of accounts please read the next 9 pages. The full story starts on page 12, please read that too.

Please see page 21 for a full list of the notes to the accounts and cross references to page numbers.

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2013/14 financial year. This is the second set of accounts for the Chief Constable for Cumbria Constabulary. On 22 November 2012 the Police and Crime Commissioner (the Commissioner) and the Chief Constable were established as separate legal entities with a requirement for single entity accounts. The funding and accountability relationship between the entities meets the definition of a subsidiary for the Chief Constable. This results in a requirement for the Commissioner to produce consolidated group accounts. This financial statement sets out the single entity statements of the Chief Constable. They are published in accordance with the Accounts and Audit Regulations 2011.

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 2014. The reporting format is specifically designed to meet the requirements of the Code of Practice on financial reporting. 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 introduction aims to provide a simplified summary of the financial statements as part of this publication. It is also available as stand-alone Summary Statement document on the same website. The Commissioner's consolidated financial statements can be accessed from the Commissioner's website: www.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 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

CC Chief Finance Officer Introduction and Summary of Accounts

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.

2013/14 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 the force through the provision of funding to the Chief Constable. Details of the 2013/14 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

Summary Budget and Outturn

The table below shows the summary budget for 2013/14 as set on 22 February 2013, the revised budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit).

	Base Budget 2013/14 £000s	Revised Budget 2013/14 £000s	Provisional Ouuturn 2013/14 £000s	(Under)/ Overspend 2013/14 £000s
Constabulary Budget				
Police Officer Pay & Allowances	73,086	75,788	73,614	(2,174)
PCSO Pay & Allowances	2,879	2,879	2,464	(415)
Police Staff Pay & Allowances	13,133	13,034	12,894	(140)
Transport related	2,890	2,916	2,599	(317)
Supplies & Services	9,549	9,350	9,128	(222)
Third Party Related	1,215	1,578	1,521	(57)
Funding from PCC	0	(3,849)	(3,849)	0
Total CC Funding	102,752	101,696	98,371	(3,325)
CC Managed Budgets				
Police Staff - Support Services	6,821	6,969	6,985	16
Other Employee Budgets	1,251	1,191	1,329	138
Premises Related	3,712	3,747	3,961	214
Income	(3,782)	(5,325)	(5,412)	(87)
Total CC Managed	8,002	6,582	6,863	281
Total Constabulary	110,754	108,278	105,234	(3,044)

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 Comprehensive Income and Expenditure Statement.

The constabulary budget is made up of funding for employee costs (Police Officers £75.8m, PCSO's £2.88m, Police Staff £13m), transport costs of £2.9m and supplies/other costs of £11m. Chief Constable managed budgets comprise premises expenditure of £3.7m with the balance being support staff and other employee costs including provision for redundancy. These budgets are managed by the Chief Constable on behalf of the Commissioner.

In-Year Financial Performance

Revenue Expenditure: The Chief Constable's revenue underspend during the year amounted to £3.044m and of this sum £2.589m (85%) related to lower than anticipated expenditure on Police Officers and PCSO's as a result of operating below establishment. The Chief Constable has now developed a robust workforce plan which will see Police Officer and PCSO numbers operating on or around establishment throughout 2014/15.

The underspend for the year was forecast early in the budget monitoring process. This enabled £3m of the unutilised funding to be included within the 2014/15 budget to support the Commissioner's investment in commissioned services which includes providing additional funding for the Constabulary by way of the Police Innovation Fund.

The Chief Constable has developed a business plan which proposes to utilise the Commissioner's Police Innovation Fund to invest in technology and training

with the aim of increasing the productivity of officers and staff in anticipation of having to operate with a smaller workforce in future.

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 £3.311m in 2013/14, are shown in the combined financial statements of the Commissioner.

The Financial Statements

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. This section of the financial summary provides an explanation of the various parts of the statement alongside a high level summary and narrative on the financial position. **The financial statements for 2012/13 have been re-stated due to a change in disclosure requirements in respect of pensions. A full explanation is provided in note 22 to the accounts on pages 49-51.**

The key financial statements are:

- The Movement in Reserves Statement (MiRS)
- The Comprehensive Income and Expenditure Statement (CI&ES)

CC Chief Finance Officer Introduction and Summary of Accounts

- The Balance Sheet (BS)
- The Cash Flow Statement (CFS)
- The Police Officer Pension Fund Accounts

Movement in Reserves Statement

This statement shows the different reserves held by the Chief Constable, analysed into 'Usable Reserves' that that can be applied to fund expenditure and other (principally technical accounting) 'Unusable Reserves'. It shows the opening balance on all reserves at the start of the year, movements in year and the closing balance. The movements in year comprise movements arising from the Surplus or Deficit on the Provision of Services line within CI&ES, other CI&ES adjustments and accounting adjustments.

The accounting adjustments provide a mechanism through which charges made within the accounts in accordance with accounting standards are reversed, leaving only the statutory amounts required to be charged for council tax purposes. The statement is shown on page 17 in the full statement of accounts.

The table below sets out a summary movement in reserves statement.

	Balance 01/04/2013 £000s	Movements 2013/14 £000s	Balance 31/03/2014 £000s
Constabulary Fund	0	0	0
CC Police Pension Reserve	(1,010,490)	11,090	(999,400)
CC LGPS Pension Reserve	(28,804)	12,028	(16,776)
CC Accumulated Absences A/c	(3,645)	309	(3,336)
Total Reserves	(1,042,939)	23,427	(1,019,512)

The reserves shown above on the Chief Constable's movement in reserves statement are classed as unusable. All usable reserves, which can be used to support service provision, are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner. The Commissioner formally recognises the need for contingencies against unplanned and planned expenditure in the future which cannot be accurately quantified at the time of closing the accounts. The Commissioner's Police Fund Balance at 31 March 2014 stands at £5.149m. This represents 5% of the net budget and will be held at this level pending the 2015/16 grant settlement. In addition a number of specific earmarked reserves are maintained to address specific areas of expenditure, usually of a non-recurring nature, which must be incurred over a period of years, but which cannot be formally quantified at the time of closing the 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 service expenditure analysis as required by the Service Reporting Code of Practice (SERCOP). This provides information on the cost of the different policing services that have been provided over the financial year. The CI&ES is shown on page 18 of the full statement of accounts.

CC Chief Finance Officer Introduction and Summary of Accounts

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

	Gross Expenditure 2013/14 £000s	Gross Income 2013/14 £000s	Net Expenditure 2013/14 £000s
Local policing	48,555	(51)	48,504
dealing with the public	7,379	(1)	7,378
criminal justice	9,052	(11)	9,041
arrangements	6,892	(25)	6,867
Road policing	4,015	(12)	4,003
Specialist operations	5,821	(6)	5,815
Intelligence	13,889	(8)	13,881
Investigations	3,115	(1)	3,114
Investigative support	1,452	(25)	1,427
National policing	299	0	299
Corporate and democratic	88	0	88
core	671	0	671
Non distributed costs	0	(103,613)	(103,613)
Exceptional items -			
termination costs			
Funding provided by PCC	101,228	(103,753)	(2,525)
Cost of Services			
Financing and investment	48,031	(3,435)	44,596
income			
(surplus)/deficit on the	149,259	(107,188)	42,071
provision of services			
other comprehensive	0	(65,498)	(65,498)
income and expenditure			
Total comprehensive	149,259	(172,686)	(23,427)
income and expenditure			

The statement shows a net surplus on the cost of services of £3m, based on proper accounting practices. This comprises £101m of expenditure funded by £104m of funding provided by the Commissioner. In addition, the CI&ES also records a number of technical accounting adjustments, principally to show changes to future pensions obligations over the year. The overall position on the statement is an accounting surplus of £23m.

A subjective analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the notes to the statement of accounts (note 13b on page 40).

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2014) of the assets and liabilities recognised by the Chief Constable. The Chief Constable's current assets (£9m) 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 (£11m) 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 (£1,017m) represent the Chief Constable's share of the pensions deficit. 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 19 in the full statement of accounts.

The table below sets out a summary balance sheet.

	Balance as at 31/03/2013 £000s	Balance as at 31/03/2014 £000s
Current assets	8,490	8,869
Current liabilities	(10,880)	(11,415)
Long term liabilities	(1,040,549)	(1,016,966)
Net Assets	(1,042,939)	(1,019,512)
Usable reserves	(1,042,939)	0
Unusable reserves	0	(1,019,512)
Total reserves	(1,042,939)	(1,019,512)

The Chief Constable's financial statements for 2012/13 included a number of technical accounting reserves as usable reserves that would normally be treated as unusable reserves. This accounting treatment was required as at the time the Chief Constable did not have the powers of statutory override required to reverse accounting entries through a movement in reserves statement. These powers have now been granted and as such the reserves are now shown as unusable reserves and a movement between usable and unusable reserves was effected as at 1 April 2013.

Reserves are reported on the balance sheet consistently with the movement in reserves statement, across two categories. Usable Reserves result from the Chief Constable's activities and could be used to finance future expenditure, however, under the terms of the funding arrangement between the Commissioner and Chief Constable, the Chief Constable does not hold any usable reserves. Unusable Reserves are derived from accounting adjustments and cannot be spent. The unusable reserves include accounting reserves in respect of revaluations, pensions and accumulated absences.

The Chief Constable's 2013/14 balance sheet shows a combined pensions deficit of £1,016m (£1,039m in 2012/13) 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.

Post Balance Sheet Events

In the Chief Constable's 2012/13 Statement of Accounts, a post balance sheet event was included in relation to the continued suspension of Mr Hyde the temporary Chief Constable on 13 September 2012. In September 2013, Mr Hyde returned to work in his substantive role as Deputy Chief Constable. Mr Lawson the temporary Chief Constable (seconded from Merseyside Police) continued in his role throughout 2013/14. Mr Hyde retired from his post in December 2013.

In April 2014, the Commissioner undertook a recruitment exercise to appoint a permanent Chief Constable for Cumbria and Mr Graham (formerly the Deputy Chief Constable) was appointed to the role following confirmation by the Police and Crime Panel and will take up Office on 1 August 2014.

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 20 of the full statement of accounts.

CC Chief Finance Officer Introduction and Summary of Accounts

The table below provides a summary of the cash flow statement:

	Cash Flows 2012/13 £000s	Cash Flows 2013/14 £000s
Balance 1 April	0	0
Net (Surplus)/Deficit on the provision of services	37,898	42,071
Adjustment for non-cash movements	(37,898)	(42,071)
Net cash flows from operating activities	0	0
Balance 31 March	0	0

Police Officer Pension Fund Accounts

This statement sets out the transactions on the Police Officer pension fund account for the year. A page of explanatory notes are also provided within the financial statements to support the account. The pensions fund and notes can be found on pages 52-53 of the full statement of accounts.

	Pension Fund A/c 2012/13 £000s	Pension Fund A/c 2013/14 £000s
Contributions - Employer	(9,987)	(9,772)
Contributions - Officers	(4,939)	(5,277)
Transfers In	(180)	(298)
Capital Equivalent - Ill Health	(231)	(469)
Benefits Payable	27,311	30,392
Refunds of Contributions	0	9
Transfers Out	84	173
Net Amount payable	12,058	14,758
Contribution from PCC/Home Office top Up grant	(12,058)	(14,758)
Net Amount Payable	0	0

The statement identifies a net amount payable for the year of £14.758m. This is the difference between the amount due from employer, police officer and other contributions into the fund and the pension benefits that are payable from the fund. The Police Officer Pension Fund is an unfunded scheme. This means that there are no investment assets built up to meet pension liabilities. Any difference between the amounts received into the fund and amounts to be paid are met by central government grant.

Supporting Information to the Financial Statements

The key financial statements are supplemented by an explanation of the accounting policies used in preparing the statements (Annex A). 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 acronyms. The statements are published alongside the Annual Governance Statement for the Chief Constable in accordance with the 2011 Accounts and Audit (England) Regulations.

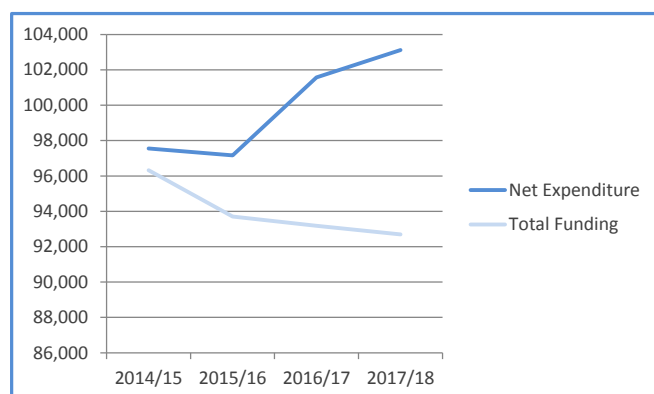
The Annual Governance Statement of the Chief Constable can be found on the Constabulary website at www.cumbria.police.uk or on pages 65-86 of this Statement of Accounts.

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the overall financial position of the Chief Constable as at 31 March 2014. This has primarily arisen as a result of underspend on the budget and positive action on behalf of the Constabulary to reduce costs in the context of future reductions in government funding. Whilst the outlook is financially resilient in the short term, it is expected to become significantly more challenging over the next few years.

Significantly the budget set for 2014/15 was set in the context of a four year medium term financial forecast that is in deficit from 2016/17. Gross income, at the time of setting the 2014/15 budget, was forecast to be £122.3m but with an estimated reduction to £118.6m by 2017/18. Whilst income decreases cost will rise due to the impact of inflation and pay awards.

The chart below illustrates for the next four years, the current forecast of expenditure compared to funding available to finance it.



The 2015 spending review is expected to make further reductions in the total level of resources available. At least £10m of savings will need to be made over those four years to balance the budget even with annual increases in council tax. This will mean significant reductions in police officers and staff at a time where some crime figures are starting to increase.

The current financial forecasts exclude the impact of a £16m risk of funding loss arising from changes to central government funding formula. The Commissioner's balance sheet position on reserves is currently being maintained at a higher than usual level to mitigate against the impact of this risk.

The Commissioner and Chief Constable are developing a detailed change programme to consider options that will address the future gap between expenditure and income.

CC Chief Finance Officer Introduction and Summary of Accounts

Acknowledgements

The financial statements were **originally** authorised for issue by me as CC Chief Finance Officer (CFO), on 25 June 2014. **Following completion of the audit, they were re-authorised by me on 22 September 2014 and were formally approved by the Chief Constable** at a joint meeting of the Executive Board and Joint Audit and Standards Committee.

It is also appropriate to acknowledge the support and co-operation of the PCC Chief Finance Officer Ruth Hunter in the preparation of these accounts.

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

Roger Marshall

CC 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 2014 and its income and expenditure for the year there ended.

CC Chief Finance Officer

Roger Marshall CPFA _____ Date **22 September 2014**

The accounts present a true and fair view of the position of the Chief Constable for Cumbria Constabulary as at 31 March 2014 and its income and expenditure for the year there ended.

Chief Constable for Cumbria Constabulary

Jerry Graham BA (Hons) MA _____ Date 22 September 2014

Responsibilities for the Statement of Accounts

1 The Chief Constable's Responsibilities

The Chief Constable 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 CC Chief Finance Officer.
- 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 CC Chief Finance Officer's Responsibilities

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

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

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

The CC 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 CC 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 2014.



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Independent Auditor's Report

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Independent Auditor's Report

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure) and other 'Unusable reserves'. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

The figures for the Chief Constable in 2013/14 are provided in the table below:

CC Figures for 2013/14										
	Balance at 1 April 2013	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers between usable and unusable reserves	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2013/14	Balance at 31 March 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Chief Constable's Constabulary Fund	0	(42,071)	0	(42,071)	42,071	0	0	0	0	0
Chief Constable's Police Pension Reserve	(1,010,490)	0	0	0	0	1,010,490	1,010,490	0	1,010,490	0
Chief Constable's LGPS Pension Reserve	(28,804)	0	0	0	0	28,804	28,804	0	28,804	0
Chief Constable's Accumulated Absences Account	(3,645)	0	0	0	0	3,645	3,645	0	3,645	0
Total Usable Reserves	(1,042,939)	(42,071)	0	(42,071)	42,071	1,042,939	1,042,939	0	1,042,939	0
Unusable Reserves										
Chief Constable's Police Pension Reserve	0	0	51,350	51,350	(40,260)	(1,010,490)	(999,400)	0	(999,400)	(999,400)
Chief Constable's LGPS Pension Reserve	0	0	14,148	14,148	(2,120)	(28,804)	(16,776)	0	(16,776)	(16,776)
Chief Constable's Accumulated Absences Account	0	0	0	0	309	(3,645)	(3,336)	0	(3,336)	(3,336)
Total Unusable Reserves	0	0	65,498	65,498	(42,071)	(1,042,939)	(1,019,512)	0	(1,019,512)	(1,019,512)
Total Reserves	(1,042,939)	(42,071)	65,498	23,427	0	0	23,427	0	23,427	(1,019,512)

The comparative figures for 2012/13 are provided in the table below:

CC Re-stated Figures for 2012/13										
	Balance at 1 April 2012	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure (Note 4)	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers to other usable reserves (Note 4)	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2012/13	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Chief Constable's Constabulary Fund	0	(37,898)	(125,410)	(163,308)	0	163,308	0	0	0	0
Chief Constable's Police Pension Reserve	(854,730)	0	0	0	0	(155,760)	(155,760)	0	(155,760)	(1,010,490)
Chief Constable's LGPS Pension Reserve	(21,190)	0	0	0	0	(7,614)	(7,614)	0	(7,614)	(28,804)
Chief Constable's Accumulated Absences Account	(3,711)	0	0	0	0	66	66	0	66	(3,645)
Total Usable Reserves	(879,631)	(37,898)	(125,410)	(163,308)	0	0	(163,308)	0	(163,308)	(1,042,939)
Total Reserves	(879,631)	(37,898)	(125,410)	(163,308)	0	0	(163,308)	0	(163,308)	(1,042,939)

In the movement in reserves statement above (and on the balance sheet on page 19) number of reserves are shown as usable in 2012/13 and unusable in 2013/14. Whilst the Police Reform and Social Responsibility Act 2011 (PRSRA) created the Chief Constable for Cumbria Constabulary as a separate legal entity, it did not confer full local authority status with the result that in preparing the 2012/13 accounts, the Chief Constable did not have the power to apply a statutory override which allows transactions to be converted from an accounting basis to statutory basis. The effect of this was that a number of reserves were required to be shown as usable which would otherwise be treated as unusable. This power was subsequently granted in the Anti-social Behaviour, Crime and Policing Act 2014. Accordingly the reserves are now able to be shown as unusable reserves.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

		CC 2012/13 Gross Expenditure Re-stated £000s	CC 2012/13 Gross Income Re-stated £000s	CC 2012/13 Net Expenditure Re-stated £000s	CC 2013/14 Gross Expenditure £000s	CC 2013/14 Gross Income £000s	CC 2013/14 Net Expenditure £000s
	Notes						
Local Policing	13a	47,925	(2)	47,923	48,555	(51)	48,504
Dealing with the public	13a	7,222	0	7,222	7,379	(1)	7,378
Criminal justice arrangements	13a	9,038	0	9,038	9,052	(11)	9,041
Road policing	13a	6,869	(1)	6,868	6,892	(25)	6,867
Specialist operations	13a	4,060	0	4,060	4,015	(12)	4,003
Intelligence	13a	7,122	0	7,122	5,821	(6)	5,815
Investigations	13a	13,119	0	13,119	13,889	(8)	13,881
Investigative support	13a	2,809	0	2,809	3,115	(1)	3,114
National policing	13a	1,986	(1)	1,985	1,452	(25)	1,427
Corporate and democratic core	13a	274	0	274	299	0	299
Non distributed costs	13a	195	0	195	88	0	88
Termination Payments	17	1,134	0	1,134	671	0	671
Funding Provided by PCC to CC		0	(106,618)	(106,618)	0	(103,613)	(103,613)
Cost Of Services		101,753	(106,622)	(4,869)	101,228	(103,753)	(2,525)
Financing and Investment Income and Expenditure							
▲ Net Interest on the net defined benefit liability (asset)	11	46,183	(3,416)	42,767	48,031	(3,435)	44,596
		46,183	(3,416)	42,767	48,031	(3,435)	44,596
(Surplus) or Deficit on Provision of Services		147,936	(110,038)	37,898	149,259	(107,188)	42,071
Remeasurement of the net defined pension benefit liability/asset	11			125,410			(65,498)
Other Comprehensive Income and Expenditure				125,410			(65,498)
Total Comprehensive Income and Expenditure				163,308			(23,427)

Balance Sheet

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the reserves held by the Chief Constable.

		CC 31 March 2013 Re-stated £000s	CC 31 March 2014 £000s
	Notes		
Inventories		302	326
Short Term Debtors (amounts owed to CC by PCC re CC share of external Debtors)	8	2,658	2,878
Short Term Debtors (amounts owed to CC by employees re accumulated absences)	8	102	108
Short Term Debtors (funding balance owed to CC by PCC)	8	5,428	5,557
Current Assets		8,490	8,869
Short Term Creditors (amounts owed by CC to PCC re share of external creditors)	9	(4,173)	(4,767)
Short Term Creditors (amounts owed by CC to employees re accumulated absences)	9	(3,747)	(3,444)
Short Term Creditors (funding balance due from CC to PCC)	9	(2,960)	(3,204)
Current Liabilities		(10,880)	(11,415)
Provisions	10	(1,255)	(790)
Other Long Term Liabilities			
Pensions liability - Police	11	(1,010,490)	(999,400)
Pensions liability - LGPS	11	(28,804)	(16,776)
Long Term Liabilities		(1,040,549)	(1,016,966)
Net Assets		(1,042,939)	(1,019,512)
Usable reserves			
Chief Constable's Police Pension Reserve	12a	(1,010,490)	0
Chief Constables LGPS Pension Reserve	12a	(28,804)	0
Chief Constable's Accumulated Absences Account	12b	(3,645)	0
		(1,042,939)	0
Unusable Reserves			
Pensions Reserve - Police	12a	0	(999,400)
Pensions Reserve - LGPS	12a	0	(16,776)
Accumulated Absences Account	12b	0	(3,336)
		0	(1,019,512)
Total Reserves		(1,042,939)	(1,019,512)

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 funding arrangement between the Police and Crime Commissioner and the Chief Constable, the Chief Constable does not engage in investment and financing activities therefore all cash flows are classified as operating activities.

		CC 2012/13 Re-stated £000s	CC 2013/14 £000s
Net (Surplus) or Deficit on the provision of services		37,898	42,071
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(37,898)	(42,071)
Net cash flows from Operating Activities		0	0
CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:			
Pension Liability (Contributions to/from Pensions Reserve)		(37,963)	(42,381)
Creditors - Adjustment re CC Share of Debtors		(44)	226
Creditors - Adjustment re Balance of Funding due from PCC to CC		845	129
Debtors - Adjustment re CC Share of Creditors		(460)	(291)
Debtors - Adjustment re Balance of Funding due from CC to PCC		2	(243)
Stock - Change in Balance Sheet		12	24
Provisions - Change in Balance Sheet		(290)	465
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(37,898)	(42,071)

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. As a general rule, the column showing the figures for 2013/14 will be highlighted, whilst the comparatives for 2012/13 (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 54-56. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in pages 57 to 64 of this document, the [Chief Constable](#) 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 Chief Constable and Commissioner have 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](#).

2 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the [Chief Constable](#)'s Chief Finance Officer on **22 September 2014**. Events taking place after this date are not reflected in the financial statements or notes.

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

The statement of Accounts contains estimated figures that are based on assumptions made by the [Chief Constable](#) 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 Chief Constable's balance sheet as at 31 March 2014 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the Accounts

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The Chief Constable has made a provision of £495k 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.	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 £50k to the provision needed.
	The Chief Constable has made a provision of £45k in respect of terminations costs (redundancy and additional pensions) in respect of redundancies to which the Constabulary had made an offer and could no longer withdraw as at 31 March 2014 which will take place in 2014/15.	Throughout the period of reorganisation, termination costs have been met from the Management of Change Reserve (held on the balance sheet of the Commissioner) established for this purpose, any increase in the costs of termination (over and above that in the provision) will be met from the reserve. Any increase or decrease in the actual amount paid compared to the established provision will fall to the revenue budget for 2014/15.
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.</p> <p>Two firms of consulting actuaries are engaged to provide the Chief Constable 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>	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 note 11c on pages 35-36.

Notes to the Accounts

4 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the [Chief Constable](#) in the year in accordance with proper accounting practice to the resources that are specified by statutory [provisions](#) as being available to the Chief Constable to meet future expenditure.

The figures for 2013/14 are set out in the table below:

	Note	CC Constabulary Fund Balance	CC Police Pension Reserve	CC LGPS Pension Reserve	CC Accumulated Absences Account	CC Total Reserves
		£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	11a/12a	70,867	(65,890)	(4,977)	0	0
Employer's pension contributions and direct payments to pensioners payable in the year	11a/12a	(28,487)	25,630	2,857	0	0
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12b	(309)	0	0	309	0
Total Adjustments		42,071	(40,260)	(2,120)	309	0

The comparative figures for 2012/13 are set out in the table below:

	Note	CC Constabulary Fund Balance	CC Police Pension Reserve	CC LGPS Pension Reserve	CC Accumulated Absences Account	CC Total Reserves
		£000s	£000s	£000s	£000s	£000s
Other Comprehensive Income & Expenditure		125,410	(119,150)	(6,260)		0
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	11a/12a	63,801	(59,570)	(4,231)	0	0
Employer's pension contributions and direct payments to pensioners payable in the year	11a/12a	(25,837)	22,960	2,877	0	0
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12b	(66)	0	0	66	0
Total Adjustments		163,308	(155,760)	(7,614)	66	0

Notes to the Accounts

5 Heritage Assets

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

The code requires [Heritage Assets](#), which are maintained principally for their contribution to knowledge or culture, to be separately disclosed.

The [Chief Constable](#) holds a small number of historical ephemera relating to policing in Cumbria which would fall under the definition of heritage assets including: a ceremonial chair, four antique firearms, several trophies, a commemorative plaque, two ceremonial swords and four portraits.

In the opinion of the Chief Constable the assets do not have a material intrinsic value in the context of the Chief Constable's accounts. Due to their historical origin no cost of valuation information is available and because of their diverse nature specialist valuations would be required to obtain a reliable estimate of their value. The Chief Constable is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefits gained and therefore no values are included in the Chief Constable's balance sheet.

6 Audit Fees

In 2013/14 the [Chief Constable](#) incurred the following fees relating to external audit services provided by Grant Thornton UK LLP (from September 2012).

	CC 2012/13 £000s	CC 2013/14 £000s
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.	20	20
Rebate from Audit Commission in year.	(1)	(2)
Total External Audit Fees for Year	19	18

Notes to the Accounts

7 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.

7.a Categories of Financial Instrument

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

	CC Current	
	31 March 2013 £000s	31 March 2014 £000s
Financial Assets		
Debtors		
Financial assets carried at contract amounts	136	108
Total Financial Assets	136	108
Financial Liabilities		
Creditors		
Financial liabilities carried at contract amounts	(6,167)	(7,299)
Total Financial Liabilities	(6,167)	(7,299)

7.b Fair value of Assets and Liabilities Carried at Amortised Cost

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

- The fair value of trade and other receivables is taken to be the invoiced amount.

As the [Chief Constable](#) only holds debtors and creditors as financial instruments, the fair value is estimated to be the same as the carrying amount as set out in the table above.

7.c Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

The [Chief Constable](#)'s activities expose him to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Chief Constable.
- Liquidity Risk – the possibility that the Chief Constable might not have funds available to meet its commitments to make payments.

Credit Risk

Credit Risk is the possibility that other parties might fail to pay amounts due to the Chief Constable.

As the Chief Constable is funded by [the Commissioner](#), the Chief Constable's credit risk arises indirectly through the Commissioner's 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 2013 and subsequently amended in June 2013), also imposes a maximum sum to be invested with a financial institution located within each category.

Liquidity Risk

Liquidity Risk is the possibility that the Chief Constable might not have funds available to meet his commitments to make payments.

Under the terms of the funding arrangement between the Commissioner and the Chief Constable the Commissioner provides funding to the Chief Constable on a cash basis. As the Commissioner has ready access to borrowings from the PWLB and had at 31 March 2014 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 to the Chief Constable within the terms of the funding arrangement.

Notes to the Accounts

8 Short-term Debtors

A breakdown of the amounts owing to the [Chief Constable](#) as at 31 March 2014 is set out in the table below:

		CC As at 31 March	
		2013 £000s	2014 £000s
Balance Owed from PCC re CC Share of External Debtors			
- Lancashire Police re Pre 74 Pensions		34	0
- Police pensions prepayment		1,906	2,018
- Prepayments/Payments in Advance		718	861
		2,658	2,879
Balance Owed from Employees (re accumulated Absences		102	107
Balance Owed from PCC re Balance of Funding		5,428	5,557
Total Debtors		8,188	8,543

9 Short-term Creditors

An analysis of the amounts owed by the [Chief Constable](#) as at 31 March 2014 is set out in the table below:

		CC As at 31 March	
		2013 £000s	2014 £000s
Balance Owed to PCC re CC Share of External Creditors			
- Central Government Bodies		(1,893)	(1,824)
- Other Police/Local Authorities		(620)	(724)
- NHS Bodies		(3)	(4)
Other Entities and Individuals			
- Goods & Services		(1,657)	(2,215)
Balance owed to Employees (re accumulated absences)		(3,747)	(3,444)
Balance owed to PCC re balance of Funding		(2,960)	(3,204)
Total Creditors		(10,880)	(11,415)

Notes to the Accounts

10 Provisions

The [Chief Constable](#) 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 2014 is provided below:

Insurance liabilities – this provision has been established to meet a number of eventualities which are not covered by external insurers. In particular, liability risks up to £25k (per event) are retained by the Chief Constable and met internally.

Termination Payments - this employee related provision relates to a liability that exists in respect of termination benefits as a result of a decision made during 2013/14 for which the actual payments will fall into 2014/15.

Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.

The table below shows the movements during the year on each of the provisions and the position as at 31 March 2014.

Provisions	Balance as at 01/04/13	Additional Provisions Made 2013/14	Amounts Used in 2013/14	Unused Amounts Reversed in 2013/14	Balance as at 31/03/14
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(593)	(52)	150	0	(495)
Termination Payments	(532)	(45)	194	338	(45)
Legal Claims	(130)	(250)	122	8	(250)
Total Provisions	(1,255)	(347)	466	346	(790)

The comparative information for year ended 31 March 2013 is as follows:

Provisions	Balance as at 01/04/12	Additional Provisions Made 2012/13	Amounts Used in 2012/13	Unused Amounts Reversed in 2012/13	Balance as at 31/03/13
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(593)	(205)	205	0	(593)
Termination Payments	(232)	(532)	232	0	(532)
Pay Awards	(141)	0	141	0	0
Legal Claims	0	(130)	0	0	(130)
Total Provisions	(966)	(867)	578	0	(1,255)

11 Pensions

11.a Pension Schemes

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

The Chief Constable participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff employees, administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded [defined benefit scheme](#), meaning that the Chief Constable 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 2013/14 the Chief Constable made a contribution of 11.1% of pensionable pay supplemented by a contribution to [past service costs](#) of £520k. The contribution rate was last reviewed in March 2013 with revised rates applicable from April 2014.
- The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The Chief Constable and employees pay contributions into a separate pensions fund account administered by the Chief Constable 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. (2013/14 contribution rates for employers were 24.2% of pensionable pay and was last reviewed in March 2007).

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.

Notes to the Accounts

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

	CC LGPS Funded Benefits 2012/13 Re-stated £000s		CC LGPS Unfunded Benefits 2012/13 Re-stated £000s		CC Police Scheme Old Scheme 2012/13 2013/14 £000s		CC Police Scheme 2006 Scheme 2012/13 2013/14 £000s	
Comprehensive Income and Expenditure Statement								
<i>Cost of Services</i>								
<i>Service cost comprising:</i>								
• Current service cost	3,049	3,683	0	0	15,460	18,840	2,330	3,660
• Past service costs	0	0	0	0	20	0	0	0
• (Gain)/loss from settlements	175	88	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>					0	0	0	0
• Net interest expense	958	1,161	49	45	40,990	42,330	770	1,060
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	4,182	4,932	49	45	56,470	61,170	3,100	4,720
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)	(5,728)	(2,688)	0	0	0	0	0	0
• Actuarial (gains) and losses arising on changes in demographic assumptions	1,114	2,375	6	8	(380)	(140)	0	(10)
• Actuarial (gains) and losses arising on changes in financial assumptions	10,737	(10,399)	61	(23)	140,560	(28,650)	4,000	(2,050)
• Experience (gains) and losses on liabilities	0	(3,545)	0	39	(25,410)	(19,830)	380	(670)
• Administration expenses	70	85	0	0	0	0	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	10,375	(9,240)	116	69	171,240	12,550	7,480	1,990
<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.	(4,182)	(4,932)	(49)	(45)	(56,470)	(61,170)	(3,100)	(4,720)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>								
• Employers' contributions payable to the scheme	2,814	2,794	63	63	0	0	0	0
• Retirements benefits payable to pensioners	0	0	0	0	23,620	26,600	(660)	(970)
Total amount charged against the Police Fund Balance for pensions in the year	2,814	2,794	63	63	23,620	26,600	(660)	(970)

Notes to the Accounts

11.b Assets and Liabilities in relation to Retirement Benefits

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 [Chief Constable](#) at 31 March 2014 are as follows:

	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme Old Scheme		CC Police Scheme 2006 Scheme	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(104,764)	(100,858)	(1,061)	(1,067)	(988,130)	(974,080)	(22,360)	(25,320)
Fair value of plan assets	77,021	85,149	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(27,743)	(15,709)	(1,061)	(1,067)	(988,130)	(974,080)	(22,360)	(25,320)

The liabilities in the above table show the underlying commitments that the Chief Constable has, in the long run, to pay retirement benefits. The total liability of £1.016b (£1.039b in 2012/13) has a substantial impact on the net worth of the Chief Constable as recorded in the balance sheet, resulting in a negative overall balance of £1.020b (£1.043b in 2012/13).

However, statutory arrangements for funding the deficit mean that the financial position of the Constabulary 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.

Notes to the Accounts

Reconciliation of present value of scheme liabilities:

	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme Old Scheme		CC Police Scheme 2006 Scheme	
	2012/13 Re-stated £000s	2013/14 £000s	2012/13 Re-stated £000s	2013/14 £000s	2012/13 £000s	2013/14 £000s	2012/13 £000s	2013/14 £000s
Balance at Start of Year	(86,188)	(104,764)	(1,008)	(1,061)	(840,510)	(988,130)	(14,220)	(22,360)
Current service cost	(3,049)	(3,683)	0	0	(15,460)	(18,840)	(2,330)	(3,660)
Interest cost	(4,374)	(4,596)	(49)	(45)	(40,990)	(42,330)	(770)	(1,060)
Contributions by Scheme Participants	(1,122)	(1,088)	0		(4,330)	(4,470)	(610)	(810)
Remeasurement gains and (losses):								
- Arising from changes in demographic assumptions	(1,114)	(2,375)	(6)	(8)	380	140	0	10
- Arising from changes in financial assumptions	(10,737)	10,399	(61)	23	(140,560)	28,650	(4,000)	2,050
- Experience gains/(losses)	0	3,545	0	(39)	25,410	19,830	(380)	670
Past service cost	0	0	0	0	(20)	0	0	0
Gains/(losses) on curtailment	(175)	(88)	0		0	0	0	0
Benefits Paid/Transfers	1,995	1,792	63	63	27,950	31,070	(50)	(160)
Balance at End of Year	(104,764)	(100,858)	(1,061)	(1,067)	(988,130)	(974,080)	(22,360)	(25,320)

The liabilities under both the LGPS and Police pension schemes have reduced during 2013/14. The principal reason for this decrease is in relation to **remeasurement** gains and losses.

Reconciliation of [fair value](#) of the scheme assets:

	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits	
	2012/13 Re-stated £000s	2013/14 £000s	2012/13 Re-stated £000s	2013/14 £000s
Balance at Start of Year	66,006	77,021	0	0
Interest Income	3,416	3,435	0	0
Remeasurements - Gains and (Losses)	5,728	2,688	0	0
Administration Expenses	(70)	(85)	0	0
Employer Contributions	2,814	2,794	63	63
Contributions by Scheme Participants	1,122	1,088	0	0
Benefits Paid	(1,995)	(1,792)	(63)	(63)
Balance at End of Year	77,021	85,149	0	0

Notes to the Accounts

The Police Pension Scheme has no assets to cover its liabilities. The [Chief Constable'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	CC 2012/13 £000s	%	CC 2013/14 £000s	%
Equities					
UK Quoted	Y	11,707	15.20%	11,923	14.00%
UK Unquoted	N	0	0.00%	85	0.10%
Global Quoted	Y	9,474	12.30%	13,793	16.20%
UK Equity Pooled	N	9,243	12.00%	10,303	12.10%
Overseas Equity Pooled	N	13,864	18.00%	13,113	15.40%
Bonds					
UK Corporate Bonds	Y	5,853	7.60%	5,876	6.90%
Overseas Corporate Bonds	Y	231	0.30%	341	0.40%
UK Corporate Bonds Pooled	N	6,085	7.90%	3,320	3.90%
UK Government Indexed Pooled	N	12,169	15.80%	13,282	15.60%
Property					
UK	Y	4,313	5.60%	5,876	6.90%
Property Funds	N	462	0.60%	170	0.20%
Alternatives					
Hedge Funds	N	1,079	1.40%	170	0.20%
Private Equity Funds	N	1,309	1.70%	1,362	1.60%
Infrastructure Funds	N	0	0.00%	511	0.60%
Cash					
Cash Instruments	Y	231	0.30%	85	0.10%
Cash Accounts	Y	616	0.80%	4,598	5.40%
Net Current Assets	N	385	0.50%	341	0.40%
		77,021	100.00%	85,149	100.00%

11.c Basis for estimating assets and liabilities

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

Notes to the Accounts

The principal assumptions used by the actuary have been:-

	LGPS		Police Scheme	
	2012/13	2013/14	2012/13	2013/14
Long-term Expected Rate of Return on Assets in the Scheme:				
- Equity Investments	7.00%	7.00%	N/A	N/A
- Government Bonds	2.80%	3.40%	N/A	N/A
- Other Bonds	3.90%	4.30%	N/A	N/A
- Property	5.70%	6.20%	N/A	N/A
- Cash / Liquidity	0.50%	0.50%	N/A	N/A
- Other	7.00%	7.00%	N/A	N/A
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.2	23.0	23.4	23.4
- Women	24.9	25.5	25.8	25.9
Longevity at 65 for future pensioners:				
- Men	24.1	25.7	25.7	25.6
- Women	26.9	28.7	27.9	28.0
Rate of Inflation (CPI)	2.40%	2.40%	2.50%	2.50%
Rate of increase in salaries	4.15%	3.90%	4.75%	4.50%
Rate of increase in pensions	2.40%	2.40%	2.50%	2.50%
Rate for discounting scheme liabilities	4.40%	4.60%	4.30%	4.40%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	N/A	N/A

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. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. 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

	CC		
	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)	1,817	71	85
Rate of Inflation (increase by 0.1%)	2,350	110	109
Rate of Increase in Salaries (increase by 0.1%)	696	0	33
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(2,298)	(105)	(94)

Notes to the Accounts

Sensitivity Analysis – Police Pension Schemes

Impact on Defined Benefit Obligation	CC	
	Police Pensions Old Scheme £000s	Police Pensions 2006 Scheme £000s
Assumption Sensitivity		
Longevity (1 Year increase in life expectancy)	17,000	400
Rate of Increase in Pensions (increase by 0.5%)	83,000	2,300
Rate of Increase in Salaries (increase by 0.5%)	19,000	2,600
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(102,000)	(4,800)

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

11.d Impact on the Chief Constable's Cash Flows

The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The [Chief Constable](#) has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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 will cease to be a final salary schemes from 31 March 2014 and the Police Pension Scheme will cease 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 contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2015 are £2,290k. Expected contributions for the Police Pension Scheme in the year to 31 March 2015 are £10,070k.

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

	2012/13 Years	2013/14 Years
Pensions Scheme		
Local Government Pension Scheme	19	23
Police Pension -Old Scheme	21	21
Police Pension -2006 Scheme	37	37

Notes to the Accounts

12 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 retirement and employee benefits and do not represent usable resources for the [Chief Constable](#).

12.a 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 [Chief Constable](#) 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 Chief Constable 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 Chief Constable 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.

	CC LGPS Pensions		CC Police Pensions	
	2012/13 Re-stated £000s	2013/14 £000s	2012/13 Re-stated £000s	2013/14 £000s
Balance 31 March 2013 per 2012/13 Statement of Accounts (unusable Reserves)	0	0	0	0
Adjustment re reclassification of Chief Constable's reserves to unusable reserves	(21,190)	(28,802)	(854,730)	(1,010,490)
Adjustment re Prior Period Adjustment as outlined in note 22 (page 49-51)	0	(2)	0	0
Balance at the start of the year	(21,190)	(28,804)	(854,730)	(1,010,490)
Remeasurement of the net defined pension benefit liability/asset	(6,260)	14,148	(119,150)	51,350
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	(4,231)	(4,977)	(59,570)	(65,890)
Employer's pension contributions and direct payments to pensioners payable in the year.	2,877	2,857	22,960	25,630
Balance at End of Year	(28,804)	(16,776)	(1,010,490)	(999,400)

Notes to the Accounts

12.b 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.

	CC 2012/13 £000s	CC 2013/14 £000s
Balance 31 March 2013 per 2012/13 Statement of Accounts (Unusable reserves)	0	0
Adjustment re reclassification of Chief Constable's reserves as unusable reserves	(3,711)	(3,645)
Balance at the start of the year	(3,711)	(3,645)
Settlement or cancellation of accrual made at the end of the preceeding year	3,711	3,645
Amounts accrued at the end of the current year	(3,645)	(3,336)
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	66	309
Balance at End of Year	(3,645)	(3,336)

13 Comprehensive Income and Expenditure Statement

This account 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.

13.a Comprehensive Income and Expenditure Statement Categories

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

(a) Police Services, this includes the following activities:

- Local Policing – neighbourhood policing, incident management, local investigation, community liaison, local command team and support overheads.
- Dealing with the Public – local call centre/front desk, central communications unit.
- Criminal Justice Arrangements – custody/prisoner handling, criminal justice arrangements, Police National Computer, civil disclosure/criminal records bureau, coroner assistance, fixed penalty scheme/central ticket office.
- Roads Policing – traffic units, vehicle recovery, road safety partnership
- Specialist Operations – central operations command team and support overheads, underwater search/marine support, dogs sections, level 1 advanced public order, firearms unit, civil contingencies.
- Intelligence – central intelligence command team and support overheads, intelligence/threat assessments, covert policing.
- Specialist Investigation – crime support command team and support overheads, major investigations unit, economic crime, serious and organised crime unit, public protection.
- Investigative Support – scenes of crime officers, external forensic costs, fingerprint/DNA bureau, photographic image recovery, other forensic services.
- National Policing – secondments (out of force), counter terrorism/special branch, [ACPO](#) projects/initiatives.

(b) Corporate and Democratic Core Costs:

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

(c) Non Distributed Costs:

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

Notes to the Accounts

13.b Subjective Analysis of Income and Expenditure

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

		CC 2012/13 Gross Expenditure Re-stated £000s	CC 2012/13 Gross Income Re-stated £000s	CC 2012/13 Net Expenditure Re-stated £000s	CC 2013/14 Gross Expenditure £000s	CC 2013/14 Gross Income £000s	CC 2013/14 Net Expenditure £000s
	Notes						
Police Pay & Allowances		36,222	0	36,222	31,780	0	31,780
PCSO Pay & Allowances		2,724	0	2,724	2,570	0	2,570
Police Staff Pay & Allowances		20,422	0	20,422	20,428	0	20,428
Other Employee Costs		2,825	0	2,825	2,377	0	2,377
Police Pensions - IAS19 Current Service Costs		17,790	0	17,790	22,500	0	22,500
Total Employee Costs		79,983	0	79,983	79,655	0	79,655
Premises		5,055	0	5,055	5,212	0	5,212
Transport		3,642	(4)	3,638	3,518	(48)	3,470
Supplies & services		11,813	(73)	11,740	11,548	(92)	11,456
Agency & Contract Services		1,002	0	1,002	1,047	0	1,047
Support Services		134	0	134	160	0	160
Pension Interest Costs	11	46,183	(3,416)	42,767	48,032	(3,435)	44,597
Gross Operating Expenditure		147,812	(3,493)	144,319	149,172	(3,575)	145,597
Non Distributed Costs		195	0	195	88	0	88
Funding from PCC to reimburse expenditure by CC		0	(106,618)	(106,618)	0	(103,613)	(103,613)
Net Operating Expenditure		148,007	(110,111)	37,896	149,260	(107,188)	42,072
Pensions Adjustment	11	(37,962)	0	(37,962)	(42,381)		(42,381)
Transfers to/(from) Accumulated Absences A/c	12b	66	0	66	309		309
Total		110,111	(110,111)	0	107,188	(107,188)	0

13.c Segmental Income and Expenditure

The income and expenditure of the [Chief Constable](#)'s principal segments is recorded in the [budget](#) reports for the year as follows:

Section/Department	Employee Expenses £000s	Expenditure Other Operating Expenses £000s	Total £000s	Income Funding provided by PCC to CC £000s	Total £000s	Net Total £000s
Cumbria Constabulary						
- Territorial Policing Command	51,109	7,433	58,542	0	0	58,754
- Crime Command	16,554	2,936	19,490	0	0	19,490
- Corporate Support	6,575	9,597	16,172	(103,613)	(103,613)	(87,653)
- Corporate Improvement	607	114	721	0	0	721
- Professional Standards	1,016	40	1,056	0	0	1,056
- Legal Services	316	391	707	0	0	707
Total	76,177	20,511	96,688	(103,613)	(103,613)	(6,925)

Notes to the Accounts

The comparative (re-stated) information for 2012/13 is as follows:

Section/Department	Employee Expenses	Expenditure Other Operating Expenses	Total	Income Funding provided by PCC to CC	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cumbria Constabulary						
- Territorial Policing Command	53,075	8,054	61,129	0	0	61,129
- Crime Command	17,757	2,137	19,894	0	0	19,894
- Corporate Support	6,798	9,742	16,540	(106,618)	(106,618)	(90,078)
- Corporate Improvement	927	138	1,065	0	0	1,065
- Professional Standards	1,006	37	1,043	0	0	1,043
- Legal Services	339	248	587	0	0	587
Total	79,902	20,356	100,258	(106,618)	(106,618)	(6,360)

13.d Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	CC Restated 2012/13 £000s	CC 2013/14 £000s
Net Expenditure in Service Analysis (above)	(6,360)	(6,925)
Add services not included in main analysis	6,360	6,925
Add technical accounting adjustments (not reported in management accounts)	33,028	39,547
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(37,897)	(42,072)
Net Cost of Services in Comprehensive Income and Expenditure Statement	(4,869)	(2,525)

13.e Reconciliation to Subjective Analysis

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

The figures for 2013/14 are as follows:

	CC Service Analysis	CC Services not in Analysis	CC Technical Adjustments	CC Not included in CI&ES	CC Net Cost of Services	CC Corporate Amounts	CC Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding Provided by PCC to CC	(103,613)	0	0	0	(103,613)	0	(103,613)
Total Income	(103,613)	0	0	0	(103,613)	0	(103,613)
Employee expenses	76,177	6,091	39,547	(42,072)	79,743	44,596	124,339
Other service expenses	20,511	834	0	0	21,345	0	21,345
Total operating expenses	96,688	6,925	39,547	(42,072)	101,088	44,596	145,684
(Surplus) or deficit on the provision of services	(6,925)	6,925	39,547	(42,072)	(2,525)	44,596	42,071

Notes to the Accounts

The comparative information for 2012/13 is as follows:

	CC Service Analysis	CC Services not in Analysis	CC Technical Adjustments	CC Not included in CI&ES	CC Net Cost of Services	CC Corporate Amounts	CC Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding Provided by PCC to CC	(106,618)	0	0	0	(106,618)	0	(106,618)
Total Income	(106,618)	0	0	0	(106,618)	0	(106,618)
Employee expenses	79,902	5,146	33,028	(37,897)	80,179	42,767	122,946
Other service expenses	20,356	1,214	0	0	21,570	0	21,570
Total operating expenses	100,258	6,360	33,028	(37,897)	101,749	42,767	144,516
(Surplus) or deficit on the provision of services	(6,360)	6,360	33,028	(37,897)	(4,869)	42,767	37,898

14 Disclosure of Remuneration for Senior Employees

The following table 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 table for 2013/14 includes members of the Extended Chief Officer Group which is the formal decision making body for the Constabulary. At stage one of the transition process, all police staff were transferred to the employment of [the Commissioner](#). As a result, the police staff members included in this table were (at the time) formally employed by the Police and Crime Commissioner but formed part of the decision making body of the Constabulary. Under stage 2 of the PCC transition process, which took place on 1 April 2014, the majority of police staff employees transferred to the employment of the [Chief Constable](#).

The table below includes the costs of the temporary Chief Constable (A) who was suspended on full pay in September 2012 and remained suspended until September 2013, at which time he returned to his substantive role as Deputy Chief Constable before retiring from service in December 2013.

A Temporary Chief Constable has been seconded from Merseyside Police to cover the role but continues to be paid by the Police and Crime Commissioner for Merseyside. Merseyside have recharged costs of this secondment amounting to £206k to the Police and crime Commissioner for Cumbria for the period April 2013 to March 2014, these costs are included in the accounts of the Chief Constable as third party related expenditure rather than as employee costs and are therefore excluded from the table below.

Notes to the Accounts

The table below gives the information for 2013/14 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind	Termination Pay & Compensation for Loss of Office	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Chief Constable										
Temp. Chief Constable	1	91	0	1	5	9	3	109	13	122
Temp. Deputy Chief Constable (A)	2	108	0	4	3	0	2	117	26	143
Deputy Chief Constable (B)	3	108	0	7	0	0	3	118	26	144
Chief Superintendent (A)	4	29	0	1	0	0	5	35	7	42
Chief Superintendent (B)		79	0	1	2	0	5	87	19	106
Chief Superintendent (C)	5	33	0	1	0	0	1	35	8	43
Chief Superintendent (D)		79	0	2	0	0	0	81	19	100
Superintendent		73	0	2	1	0	3	79	18	97
CC Chief Finance Officer		56	0	0	0	0	0	56	6	62
Director of Corporate Support		77	0	0	0	0	0	77	8	85
Director of Corporate Improvement		71						71	8	79
Director of Legal Services		71	0	1	1	0	0	73	8	81
Total CC		875	0	20	12	9	22	938	166	1,104

Notes:

1 - Temp [Chief Constable](#) was suspended on full on full pay in September 2012 and remained under suspension until September 2013, at which time he returned to his substantive role as Deputy CC before retiring from office in December 2013.

2 - Temporary Deputy Chief Constable (A) was in post as Temp DCC until 09/09/13 and then reverted to the role of Assistant Chief Constable.

3 - Deputy Chief Constable (B) was in post as Assistant Chief Constable until 01/01/14 and was then appointed to the role of Deputy Chief Constable.

4 - Chief Superintendent A retired from office w.e.f. 13/08/13.

5 - Chief Superintendent C resigned from office w.e.f. 01/09/13.

Notes to the Accounts

The table below gives the comparative information for 2012/13 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind	Termination Pay & Compensation for Loss of Office	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Chief Constable										
Temp. Chief Constable (A)	1	131	0	0	6	0	2	139	32	171
Temp. Deputy Chief Constable (B)	2	108	0	0	5	0	2	115	26	141
Assistant Chief Constable	3	109	0	7	0	0	3	119	26	145
Chief Superintendent (A)		79	4	2	1	0	5	91	19	110
Chief Superintendent (B)		79	4	1	1	0	5	90	19	109
Chief Superintendent (C)		79	4	3	1	0	3	90	19	109
Chief Superintendent (D)		79	4	4	0	0	0	87	19	106
Superintendent		73	4	2	0	0	3	82	17	99
Head of Financial Services	4	55	1	0	0	0	0	56	6	62
Director of Corporate Support	5	72	0	1	0	0	0	73	8	81
Director of Corporate Improvement	6	70	0	0	0	0	0	70	8	78
Director of Finance & Resources	7	46	0	0	0	101	0	147	5	152
Director of Human Resources	8	29	0	0	0	127	0	156	3	159
Director of Legal Services		70	0	2	1	0	0	73	8	81
Total CC		1,079	21	22	15	228	23	1,388	215	1,603

Notes:

1 - Temporary [Chief Constable](#) (A) was suspended on the 13 September 2012 and remained on full pay. A temporary Chief Constable has been seconded from Merseyside Police to cover the role with effect from 13 September 2012, but continues to be paid by Merseyside Police & Crime Commissioner.

2 - Temporary Deputy Chief Constable (B) was promoted to Temporary Deputy Chief Constable on 12 November 2012 from the role of Assistant Chief Constable.

3 - The Assistant Chief Constable was acting as Temporary Deputy Chief Constable until 12 November 2012.

4 - The Head of Financial Services was appointed as Section 151 Officer on 1 November 2012, figures include a full years salary details.

5 - The Director of Corporate Support was appointed on the 7 November 2012, figures include a full years salary details.

6 - The Director of Corporate Improvement was appointed on the 1 November 2012, figures include a full years salary details.

7 - The Director of Finance & Resources left the organisation on the 1 November 2012, figures are part year but include final payments made in April 2013.

8 - The Director of Human Resources left the organisation on the 10 August 2012, figures are part year.

Notes to the Accounts

15 Employee Remuneration

The Code of Practice on Local Authority Accounting requires the disclosure of the number of employees and senior police officers (defined as those holding a rank **above** that of superintendent) whose remuneration, excluding pension's contributions, exceeded £50,000 in 2013/14 in bands of £5,000. This is set out in the table below:

Remuneration Band	2012/13			2013/14		
	CC Police Staff	CC Snr Police Officers	CC Total	CC Police Staff	CC Snr Police Officers	CC Total
£50,000 to £54,999	0	0	0	3	0	3
£55,000 to £59,999	1	0	1	1	0	1
£60,000 to £64,999	0	0	0	2	0	2
£65,000 to £69,999	0	0	0	2	0	2
£70,000 to £74,999	0	0	0	0	0	0
£75,000 to £79,999	0	0	0	0	1	1
£80,000 to £84,999	0	1	1	0	1	1
£85,000 to £89,999	0	3	3	0	0	0
£90,000 to £94,999	0	0	0	0	0	0
£95,000 to £99,999	0	0	0	0	0	0
£100,000 to £104,999	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	1	1
£110,000 to £114,999	0	2	2	0	2	2
£115,000 to £119,999	0	0	0	0	0	0
£120,000 to £124,999	0	0	0	0	0	0
£125,000 to £129,999	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	0	0
£135,000 to £139,999	0	0	0	0	0	0
£140,000 to £144,999	0	1	1	0	0	0
£145,000 to £149,999	0	0	0	0	0	0
£150,000 to £154,999	0	0	0	0	0	0
£155,000 to £159,999	0	0	0	0	0	0
Total	1	7	8	8	5	13

The above table includes only those police staff deemed as operational over which the [Chief Constable](#) has delegation and direction and control. Other police staff in support functions for which decision making rests with [the Commissioner's](#) Chief Executive are included in the single entity statements of the Commissioner. These staff provide support on a shared service basis to the Commissioner and the Chief Constable and are recharged between the single entity statements.

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 14 for more information.

Notes to the Accounts

16 Exit Packages

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

Exit package cost band (including special payments)	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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	Headcount	Headcount	Headcount	Headcount	Headcount	Headcount	£000s	£000s
£0-£20,000	2	12	5	12	7	24	93	292
£20,001 - £40,000	4	3	7	6	11	9	320	245
£40,001 - £60,000	1	1	2	2	3	3	142	161
£60,001 - £80,000	1	1	0	1	1	2	62	122
£80,001 - £100,000	1	0	0	0	1	0	94	0
£100,001 - £150,000	1	0	0	0	1	0	122	0
Total	10	17	14	21	24	38	833	820

17 Termination Payments

During 2013/14 the contracts of a number of employees were terminated incurring termination payments amounting to £671k (£1,134k in 2012/13). As this amount is significant in terms of the 2013/14 accounts the amount has been shown as a separate item on the face of the Comprehensive Income and Expenditure Statement (page 18).

This amount is made up exit packages paid in 2013/14 and a provision for exit packages to be paid in 2014/15 where the decision to terminate employment has been made in 2013/14.

The exit packages amount to £820k (£833k in 2012/13). The exit packages can be further split into compensation for loss of employment £645k (£689k in 2012/13) and enhanced pension benefits £175k (£144k in 2012/13). The redundancies are as a result of the Constabulary's change programme. The Exit Packages note above (note 16) provides details of the number and total cost of exit packages per band and include those exit packages paid in 2013/14 and those agreed for individuals in 2013/14 but paid in 2014/15 for which an [accrual](#) was made in the 2013/14 accounts.

A further amount of £45k (£532k in 2012/13) has been set aside in a provision to pay termination costs as a result of decisions made in principle in 2013/14 but where there was some uncertainty over the individual staff or timing of the termination but for which a reasonable estimate can be made of amount of the probable obligation. This amount is netted down by costs charged against the provision in respect of 2012/13 decisions provided for at the year-end where the payment was actually made in 2013/14 of £194k, providing a net movement on the provision of -£149k.

18 Related Party Transactions

The [Chief Constable](#) is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by the Chief Constable. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable 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 Chief Constable.

18.a Police and Crime Commissioner

The Police and Crime Commissioner has direct control over the Chief Constable's finances, providing funding for all running costs. [The Commissioner](#) is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the funding agreement set by the Commissioner, to deliver the aims and objectives set out in the Police and Crime Plan.

18.b Central Government

Central government has effective control over the general operations of the Chief Constable – it is responsible for providing the statutory framework within which the Chief Constable operates and provides the majority of its funding via [the Commissioner](#).

18.c Officers and Employees

Senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Chief Constable. No material transactions have been reported in respect of the 2013/14 financial year.

18.d Other Public Bodies

The Chief Constable's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in note 11.

19 Contingent Liabilities

Insurance Claims

A number of claims are being pursued against the [Chief Constable](#), the majority of which will be contested. The Chief Constable maintains [provisions](#) to meet the costs of uninsured liabilities and legal costs and considers that there is no need to make further provision for these claims.

Redundancy Costs

In response to future reductions in government funding it will be necessary to further reduce the number of police staff. It is anticipated that the reduction will be primarily achieved through a combination of voluntary and compulsory redundancies. Redundancy costs arising from decisions made up to 31 March 2014 have been recognised in the 2013/14 Comprehensive Income and Expenditure Statement, however a number of reviews are currently ongoing which could give rise to further redundancy costs, although no firm decisions have been made as yet. It is anticipated that future redundancy costs will be met from the [earmarked reserve](#) set up for management of change costs in [the Commissioner's](#) accounts, the balance of which stood at £1,677k at 31 March 2014.

Notes to the Accounts

Injury pensions

A tribunal 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 ruling is that police injury benefits should no longer be reduced by entitlement to social security benefits. At this stage it is unclear if the decision will have a retrospective impact on police organisations or if the change will be implemented on a future claims basis only. In the absence of further guidance from the Home Office and Department for Work and Pensions, this matter has been treated as a contingent liability in the 2013/14 statement of accounts.

20 Trust Funds

Up to 30 September 2013, members of the Constabulary were appointed as trustees for a number of Trust Funds. From 1 October 2013, the responsibility for the funds transferred to the North West Police Benevolent Fund. The aim of the funds is to assist members and ex-members of the force by offering grants and loans to those who suffer financial hardship. Income to the funds is generated principally by contributions made by serving officers and donations made by members of the public. The funds are invested in a mixture of interest earning bank accounts and listed securities. The funds are not assets of the [Chief Constable](#) and are not included in the Balance Sheet.

Up to 30 September 2013, the funds were overseen by a Management Committee, which included representation from the Police Federation and Superintendents Association. As at 30 September 2013, 80% of the officers in the Constabulary were members of the Funds. While the funds were managed locally the accounts were prepared by the accountants Armstrong and Watson for financial years ending 31 December. As a result of the transfer, the accounting period for 2013 has been extended to an 18 month period which ended 30 June 2014. At this stage, the audit accounts are not yet available for this accounting period.

The table below shows the figures for the 12 month period ended 31 December 2012.

	Balance 01/01/12 £000s	Receipts 2012 £000s	Payments 2012 £000s	Balance 31/12/12 £000s
Cumbria Constabulary Trust Funds				
- Benevolent Fund	81	185	(16)	250
- Mutual Aid	59	78	(73)	64
- Mutual Aid Fund (Death Benefit Scheme)	94	10	(4)	100
	234	273	(93)	414

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

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011) (implementation has been deferred until 2015/16);
- IFRS 10 (amendments) Consolidated Financial Statements (May 2011);
- IFRS 11 Joint Arrangements (May 2011);
- IFRS 12 Disclosure of Interests in Other Entities (May 2011);
- IAS 27 Separate Financial Statements (as amended in May 2011);
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011) and
- IAS 1 Presentation of Financial Statements (as amended in May 2011).

In the Financial Statements for 2014/15, the effect of the changes will be assessed and where necessary, the comparative figures restated.

22 Prior Period Adjustment

A prior period adjustment has been made to the [Chief Constable's](#) 2012/13 published financial statements in relation to the following.

IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting after 1 January 2013. This means that the accounting statements for 2013/14 are presented on a revised basis and as a consequence the comparators for 2012/13 have been re-stated. There is no impact on the balance sheet however, the main changes are as follows:

Expected Return on Assets – Under IAS19, the expected return on assets is replaced with “Interest on Assets”. This is the interest on assets held at the start of the year and cashflows occurring during the year, calculated using the discount rate at the start of the year. The pension cost recognised in the CI&ES under IAS19 sees the interest cost and expected return on assets replaced with “net interest cost”. This is calculated as interest on pension liabilities (substantially the interest cost recognised previously) less the interest on assets.

Asset Disclosures - IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Chief Constable's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further (see note 11b, page 34).

Disclosure Presentation - In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Chief Constable's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see pension note 11, pages 30-36).

In addition to the above changes in respect of a change to the IAS19 accounting standard, a change to adjust a

Notes to the Accounts

rounding discrepancy on the split of the Local Government Pension Scheme between the single entity statements of the Commissioner and the Chief Constable has also been made. This change has seen the Commissioner's proportion of the LGPS scheme deficit as at 31 March 2013 reduce from £968k as reported in 2012/13 to £966k and the Chief Constable's share increase from £28,802k as reported in 2012/13 to £28,804k.

The changes made impact on the core financial statements and the disclosure notes in relation to pensions (note 11, pages 30-36). Where figures in the statements and notes have been amended, the relevant column will include the word "re-stated" in the column heading.

A summary of the changes made to the 2012/13 pension figures is shown below:

	CC Amount per Per 2012/13 Accounts £000s	CC Amount Re-stated for 2012/13 £000s	CC Change in Amount £000s
Liabilities			
Benefit Obligation at Start of Period	(87,196)	(87,196)	0
Current Service Cost	(2,973)	(3,049)	(76)
Interest on pension Liabilities	(4,498)	(4,423)	75
Member Contributions	(1,122)	(1,122)	0
Actuarial Gains & (Losses) on Liabilities	(11,918)	0	11,918
Remeasurement Gains & (Losses):			
- Arising from changes in demographic assumptions	0	(1,120)	(1,120)
- Arising from changes in financial assumptions	0	(10,798)	(10,798)
Curtailments	(175)	(175)	0
Benefits/Transfers Paid	2,058	2,058	0
Benefit Obligation at End of Period	(105,824)	(105,825)	(1)
Assets			
Fair Value at Start of Period	66,006	66,006	0
Expected Return on Plan Assets	3,612	3,416	(196)
Actuarial Gains & Losses on Assets	5,463	5,728	265
Administration Expenses	0	(70)	(70)
Employer Contributions	2,877	2,877	0
Member Contributions	1,122	1,122	0
Benefits/Transfers paid	(2,058)	(2,058)	0
Fair Value at End of Period	77,022	77,021	(1)
(Deficit)/Surplus	(28,802)	(28,804)	(2)

Notes to the Accounts

A summary of the effect of the above changes have made on each of the core financial statements is shown below:

	CC Net Exp Per 2012/13 Accounts £000s	CC Net Exp Re-stated for 2012/13 £000s	CC Change in Amount £000s
Local Policing	47,901	47,923	22
Dealing with the public	7,210	7,222	12
Criminal justice arrangements	9,027	9,038	11
Road policing	6,861	6,868	7
Specialist operations	4,059	4,060	1
Intelligence	7,119	7,122	3
Investigations	13,120	13,119	(1)
Investigative support	2,805	2,809	4
National policing	1,968	1,985	17
Corporate and democratic core	274	274	0
Non distributed costs	195	195	0
Exceptional Item - Termination Costs	1,134	1,134	0
Funding Provided by PCC to CC	(106,618)	(106,618)	0
Cost of Services	(4,945)	(4,869)	76
Net Interest on the net defined benefit liability (asset)	42,646	42,767	121
Surplus/Deficit on the Provision of Services	37,701	37,898	197
Actuarial Gains & Losses on pensions Assets	125,606	125,410	(196)
Total Comprehensive Income & Expenditure	163,307	163,308	1
	Amount per Per 2012/13 Accounts £000s	Amount Re-stated for 2012/13 £000s	Change in Amount £000s
Balance Sheet			
Chief Constable's LGPS Pension Reserve (Usable)	(28,802)	(28,804)	(2)
Total Reserves	(1,042,937)	(1,042,939)	(2)
Cash Flow Statement			
Net (Surplus)/Deficit on the provision of Services	37,701	37,898	197
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(37,701)	(37,898)	(197)
Net Cash Flows from Operating Activities	0	0	0
Movement in Reserves Statement			
CC Constabulary Fund (Usable)			
Balance 1 April 2012	0	0	0
Surplus or (deficit on the Provision of Services	(37,701)	(37,898)	(197)
Other Comprehensive Income & Expenditure	(125,605)	(125,410)	195
Transfers to other Usable Reserves	163,306	163,308	2
Net increase or decrease before transfers to earmarked reserves	0	0	0
Balance as at 31 March 2013	0	0	0
CC LGPS Pension Fund (Usable)			
Balance 1 April 2012	(21,190)	(21,190)	0
Transfers to other Usable Reserves	(7,612)	(7,614)	(2)
Net increase or decrease before transfers to earmarked reserves	(7,612)	(7,614)	(2)
Balance as at 31 March 2013	(28,802)	(28,804)	(2)

Police Officer Pension Fund Account

Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2013/14 financial year together with comparative information for 2012/13.

	Group 2012/13 £000s	Group 2013/14 £000s
Contributions Receivable		
Employer		
- Contributions at 24.2% of Pensionable Pay	(9,987)	(9,772)
Officers' Contributions		
- 1987 Scheme Member Contributions (see narrative for rates)	(4,325)	(4,467)
- 2006 Scheme Member Contributions (see narrative for rates)	(614)	(810)
	(14,926)	(15,049)
Transferees in from Other Schemes	(180)	(298)
Capital Equivalent charge for ill-health schemes	(231)	(469)
	(411)	(767)
Benefits Payable		
Recurrent Pensions	21,515	22,791
Commutations and Lump Sums	5,796	7,601
	27,311	30,392
Payments to and on Account of Leavers		
Refund of Contributions	0	9
Transfer out to other schemes	84	173
	84	182
Net Amount Payable for the Year	12,058	14,758
Additional Contribution from the Police & Crime Commissioner	(12,058)	(14,758)
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 2014.

	Group 2012/13 £000s	Group 2013/14 £000s
Current Assets		
Pensions Benefits paid in advance	1,906	2,018
Current Liabilities		
Amount due to the Police & Crime Commissioner	(1,906)	(2,018)
	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 2007 (SI 2007 No 1932). The Pensions Fund Accounts are administered by the Chief Constable and have been prepared on an accruals basis.

Operation of Police Pensions Schemes

The Chief Constable operates two Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the new scheme and the previous scheme has been closed to new members. Officers who are members of the old scheme are allowed by regulation to become members of the new (2006) scheme if they so wish. Members' contribution rates for 2013/14 were between 10.7% and 12% (10.1%-10.75% in 2012/13) for the new scheme and between 13.5% and 14% (12.25%-12.5% in 2012/13) for the old scheme. The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 19). Detailed disclosure notes regarding the Police Pension schemes can be found in note 11 to the core financial statements (pages 30-36).

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 24.2% of pensionable pay, which, along with the employee contributions and any transfer values, is paid into the pensions account. 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 as 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, 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

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 goodwill.

Budget

A statement of the Police and Chief Constable'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.

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.

DCLG

The Department for Communities and Local Government, responsible for funding elements of the Police and Crime Commissioner's specific and external grant aid.

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.

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

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

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.

LGPS

The Local Government Pension Scheme.

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.

Revenue Support Grant

A grant from the Department of Communities and Local Government (DCLG) towards the cost of Police and Crime Commissioner services.

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.

Appendix A - Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the financial transactions for the 2013/14 financial year and the financial position at the 31 March 2014. 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 2011 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 2013/14](#) (the Code) and the Service Reporting Code of Practice 2013/14 ([SERCOP](#)), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 act. The Police and Crime Commissioner is responsible for combining the single entity statements to form a set of consolidated group accounts.

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:

- 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.
- 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.
- An [accrual](#) is made in respect of employee benefits payable during employment (see accounting policy 7 below for further details).

3 Cash and Cash Equivalents

In accordance with the terms of [the Commissioner's](#) funding arrangement to 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.

4 Exceptional Items

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

5 Prior period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or 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.

Appendix A - Statement of Accounting Policies

6 Charges to Revenue for Non-Current Assets

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

7 Employee Benefits

7.1 Employee Benefits Payable during Employment

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

7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged (on an [accruals](#) basis) to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

8 Post-Employment Benefits

There are two pension schemes for police officers and a single scheme for police staff. They are all defined benefits schemes. All accounting entries in relation to the Comprehensive Income and Expenditure Statement and the subsequent liability for police officers pensions are wholly recorded in the [Chief Constable's](#) accounts. 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 on a headcount basis.

The liabilities of the pension fund is 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 [fair value](#) at current prices using a discount rate (see assumptions set out in note 11c, page 35).

The change in the net pensions liability is analysed into [the following](#) components:

- [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.

Appendix A - Statement of Accounting Policies

- 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 payment.

Remeasurements comprising:
 - Return on plan assets-excluding amounts included in the net interest on the net defined pension liability (asset) – charged to the pensions reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions (demographic and financial) made at the last actuarial valuation or because the actuaries have updated their assumptions –charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Note 11 to the primary financial statements provides further information about the pension schemes.

8.2 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).

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

The funding arrangements for police officers pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a ‘pay as you go’ basis with the cost charged to the revenue account. From April 2006 onwards there is an employer’s contribution rate set by the Home Office (currently 24.2% of pensionable salary), which is charged to the Comprehensive Income and Expenditure Statement.

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 52-53). 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

Appendix A - Statement of Accounting Policies

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. As [the Commissioner](#) is responsible for maintaining the police fund the receipt of Home Office pension grant and corresponding contribution to the Police Pension Fund Account are shown in the accounts of the Commissioner.

8.3 Police Staff

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

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

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

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

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

9 Events after the Balance Sheet Date

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

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

Appendix A - Statement of Accounting Policies

10 Financial Instruments - Financial Liabilities

Financial liabilities are initially measured at [fair value](#) and carried at their amortised cost. Where payable (i.e. a creditor) has a maturity of less than 12 months the fair value is taken to be the principal outstanding, or the billed / invoiced amount.

11 Financial Instruments - Financial Assets

Financial assets are initially measured at [fair value](#) and carried at their amortised cost. Where a receivable (i.e. a debtor) has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed / invoiced amount.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under 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 an adjustment made to the [debtors](#) balance as a [provision](#) for bad debt.

12 Government Grants and Contributions

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.

13 Intangible Assets

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

14 Inventories

Inventories (stocks) are included in the balance sheet at historic cost. This is a departure from IAS2 which requires inventories to be valued at the lower of cost or net realisable value. However, for many stock items, particularly uniforms, net realisable value would be minimal and would not accurately reflect the value of holding these assets.

15 Leases

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

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

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

The [Chief Constable](#) does not hold any finance leases (either as lessee or lessor) or operating leases (as lessor or lessee).

Appendix A - Statement of Accounting Policies

16 Treatment of Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the [CIPFA](#) Service Reporting Code of Practice 2013/14 ([SERCOP](#)). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Under [the Commissioner's](#) funding arrangement to the [Chief Constable](#) premises costs (except where they are directly attributable to the Chief Constable) and those for police staff supporting both the Commissioner and 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.

Under the Commissioner's funding arrangement to the Chief Constable transport and supplies and services costs (except where they are directly attributable to the Commissioner) are initially recorded in the accounts of the Chief Constable and a recharge is made to the Commissioner in the single entity comprehensive income and expenditure statements on an appropriate basis.

17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Under the terms of [the Commissioner's](#) funding arrangement to the [Chief Constable](#) all property, plant and equipment is held by the Commissioner. Accordingly, all accounting entries in relation to the acquisition, enhancement, revaluation, [impairment](#), [depreciation](#) and sale of such assets are recorded in the single entity accounts of the Commissioner. As noted in policy 6 above, the Commissioner makes a charge to the Chief Constable for the use of such assets which is equivalent to the Chief Constable's share of depreciation.

18 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.

There is currently one PFI scheme 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 Constabulary's use of the building and the services provided.

19 Heritage Assets

There are a small number of items that fall under the definition of [heritage assets](#). Due to their diverse nature

Appendix A - Statement of Accounting Policies

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.

20 Provisions, Contingent Liabilities and Contingent Assets

20.1 Provisions

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

Provisions are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best 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 10, page 29).

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.

20.2 Contingent Liabilities

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

Contingent liabilities are not recognised on the Balance Sheet but disclosed in a note to the accounts.

20.3 Contingent Assets

A contingent asset arises where an event has taken place that gives rise to a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events which cannot wholly be controlled.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21 Reserves

Under the terms of the funding arrangement between [the Commissioner](#) and the [Chief Constable](#), all usable [reserves](#) i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner. However, the Chief Constable does hold certain unusable reserves in relation to pensions and accumulated employee absences, which arise from Constabulary activities and are not covered by the funding arrangement and are shown on the Chief Constable's balance sheet.

Appendix A - Statement of Accounting Policies

22 Material Estimation Techniques

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

22.1 Pension Disclosure Note:-

Where the projected unit method of valuation has been applied and which is consistent with the required methodology in IAS 19. This is a valuation method in which the scheme liabilities make an allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the 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 2013/14 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 between 4.4% and 4.6% is appropriate.

23 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.



The Chief Constable for Cumbria Constabulary

Annual Governance Statement 2013-14

Annex B – Annual Governance Statement

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 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 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement, which must accompany the statement of accounts.

PURPOSE OF THE GOVERNANCE STATEMENT

The governance framework comprises the systems, processes, culture and values by which the Constabulary is directed and controlled and the activities through which the organisation accounts to and engages with the community. The framework enables the Chief Constable to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate efficient and effective 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 system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Chief Constable's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The findings of the review of the system of internal control are reviewed by the Audit and Standards Committee (23rd June 2014) and the Commissioner's Executive Board (24th June 2014).

Annex B – Annual Governance Statement

THE GOVERNANCE FRAMEWORK AND ITS EFFECTIVENESS

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 six 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 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 annual report of the Joint Audit and Standards Committee, the Chief Internal Auditor's annual report, the view of the external auditor through their annual governance statement and other review inspectorates. As part of the review process, the annual governance statement is prepared, setting out how the Chief Constable has complied with The Code over the previous financial year and to the date that the statement of accounts are published.

The Joint Audit and Standards Committee, has specific responsibility for providing an independent assurance function in respect of the arrangements for governance including risk management. The work of the Audit and Standards Committee over the period of the Governance Statement contributes to the review process by providing evidence in support of the effectiveness of arrangements.

Six Core Principles of Governance

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

Annex B – Annual Governance Statement

The Joint Audit and Standards Committee will also receive and scrutinise the report of the Chief Finance Officer reviewing the effectiveness of internal audit and the Annual Governance Statement. An annual report of the work of the Committee is produced and submitted to the Executive Board and the Police and Crime Panel. The report assesses the effectiveness of the Committee against Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and as a contribution to the effectiveness of overall governance arrangements.

Internal audit perform a range of reviews based on an agreed audit plan. The plan has regard to risks and recognises that key financial systems and other areas of wider business risk need to be reviewed on a cyclical basis to provide assurance with regard to internal controls and systems of governance. The work of internal audit contributes to the review of the effectiveness of governance by identifying the effectiveness of internal controls and providing an overall opinion annually on the control environment. The internal audit report for 2013-14 concludes that the internal controls have operated satisfactorily in 2013-14.

The effectiveness of the internal audit function is assessed annually against Public Sector Internal Audit Standards and the Internal Audit Charter, to support a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control.

The following paragraphs detail how the Chief Constable's has complied with the governance framework, set out within the Code to meet of each of the six governance principles. Each section of the statement includes a commentary on areas for development and improvement as part of the review process. These are collated into an action plan at the end of the statement. This AGS includes an update on the implementation of planned actions from [2012-13 and how these were addressed, as shown in the 2013-14 governance development and improvement plan](#).

The Governance Statement is submitted for examination by the Chief Constable's Internal Auditors, who will report to the Commissioner's Executive Board and the Joint Audit and Standards Committee. The Chief Constable will approve any changes to the Code of Corporate Governance and framework on an annual basis as part of the review of governance. The Code of Corporate Governance is appended to this statement.

Bernard Lawson
Temporary Chief Constable

Roger Marshall
Chief Finance Officer

Signatures have been removed for the purposes of publication on the website.

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Core principle 1: Focusing on the purpose of the Chief Constable and on outcomes for the community, and creating and implementing a vision for the local area

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Chief Constable determined the strategic direction for the Constabulary that 'Community Policing is Our Priority'. Following public consultation, 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 organisations' strategic risks, the following objectives were identified as key in reducing 'threat, risk and harm' and tackling our communities' concerns :

- Reduce the harm caused by domestic abuse, sexual assault and child exploitation, encouraging people to report to the police
- Respond to vulnerable adults and children who go missing from home
- Deal with alcohol related crime and antisocial behaviour in our communities
- Tackle drug supply across the county
- Keep crime at the current low levels, especially burglary, theft and violent crime
- Deal with antisocial behaviour in our communities

The Commissioner approved these key objectives and incorporated them into his Policing Plan to complement his aims.

The Constabulary worked with the OPCC to develop the performance framework. This set of measures and targets supports delivery of the Policing 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 two months at the public Executive Board.

The Constabulary reviewed performance for all crime types, antisocial behaviour, road collisions, user satisfaction and productivity every month throughout the year to identify exceptions to expected performance and took corrective action to address the root causes. The statistical analysis and evaluation of performance is carried out according to Home Office standards. An example of corrective action taken during 2013/14 was the significant increase in thefts during first quarter of 2013/14. The analysis showed that one of the main causes was an increase in shoplifting and where it was occurring. Operational staff consulted with the retail trade and used operational tactics to reduce the number of incidents.

During 2013-14, performance management has been embedded within the Constabulary through use of:

- Monthly briefings from Corporate Improvement to the ACC and DCC and to Operations Board; these included detailed root cause analysis and recommended actions to take
- Performance discussions at all operational Senior Management Team meetings as a standard agenda item
- Holding corporate Performance Development Conferences each quarter to discuss strategic performance issues and determine improvement actions, such as – violent crime, sickness and data quality.

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- Further development of the sophisticated and comprehensive Performance Dashboard for crimes and incidents, user satisfaction, productivity and diversity measures which can be accessed by everyone
- Publication of daily performance figures for all officers and staff to use to monitor and manage delivery of operational activity
- Development and implementation of an individual Officer Performance Dashboard. This enables sergeants to quickly view their officers' workload and forms the basis of regular one to one performance meetings, improving supervision and productivity

The Constabulary performs well and has achieved a significant reduction in both crime and anti-social behaviour since 2009/2010 (falling by 13.8% and 35.8% respectively) and user satisfaction levels are consistently high. Although levels of recorded crime rose by 4.8% in 2013-14, this represents an increase of only 3 crimes per day as Cumbria has the 2nd lowest crime rate of all forces in England & Wales. The increase in crime in 2013-14 is partly attributed to better reporting of domestic violence and sexual offences etc.

Thematic reports for specific areas have also been published and discussed at the public Executive Board; examples include: progress on reducing adult re-offending, annual strategic assessment for equality and diversity, including actions taken to address minority issues crime and force performance on stop/search.

During 2013-14 the Constabulary submitted a formal budget proposal for 2014-15 to the Commissioner as part of a medium term financial forecast (MTFF) covering the four year period to 2017-18. The MTFF was based on planning assumptions consistent with those used by the Commissioner's Chief Financial Officer and incorporated

latest information on government funding levels for 2014-15 and 2015-16.

The MTFF shows, that despite planned Change Programme savings plans totalling £5.9m over the next four years, a budget deficit emerges from 2016-17 onwards amounting to £4.5m by 2017-18. Future business planning has also been based on the assumption that the Constabulary is likely to face continued funding pressures until at least 2020-21, as a result of Government austerity measures.

The Chief Constable, whilst continuing to examine all opportunities to reduce support department and non-staffing costs, has recognised that future savings are likely to require reductions in officer and PCSO numbers. Accordingly a number of strategic themes have been identified which help maintain performance whilst delivering a sustainable future including :-

- Understanding Demand
- Developing Leadership and Skills
- Maximising Assets (including staff)

The themes form the basis for a number of more detailed reviews which will be progressed in 2014-15. These work-streams will be managed through the Constabulary's Change Programme.

During 2013-14 the Constabulary also developed a detailed business plan which aims to make more pro-active use of reserves. The plan proposes investment in technology and training with the aim of increasing the productivity of officers and staff, which will make the organisation sustainable with a smaller workforce. The business plan will also seek to address the longer term sustainability of the Constabulary's capital resource requirement.

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The initial business plan was submitted to the Commissioner's Executive Board in June 2013. The Commissioner has earmarked resources from within the commissioned services budget to fund the plan and has released funding to allow more detailed business cases to be developed.

The business plan has also incorporated revised Estates and Fleet Strategies which were agreed by the Chief Officer Group and Commissioner's Executive Board in February 2014 and incorporated into the capital strategy agreed in February 2014. The fleet strategy was formulated by a new Strategic Vehicle Group, which includes both fleet specialists and operational representation, whose role is to determine and manage the force's fleet requirements. The fleet strategy includes investment in a single vehicle platform which will deliver operational efficiencies and economies of scale.

In response to difficulties in the recruitment of officers in the early part of 2013-14, which gave rise to a revenue budget underspend in 2013-14 the Constabulary has placed considerable emphasis on developing its workforce planning processes through the year. A detailed workforce plan covering the period of the MTFP to 2017-18 is now in place for officers, staff and PCSOs. The workforce plan is subject to scrutiny at both strategic and tactical levels on a monthly basis and is aligned to the financial planning and monitoring process.

Since 2011-12 the Constabulary's Change Programme has played a critical role in delivering savings required to balance the Constabulary's budget in the context of reductions in Government funding. During 2013-14 the Change Programme:-

- Delivered a saving of £2.1 million from the revenue budget that was planned for 2013 – 14
- Further reduced the number of senior directors to reduce management costs
- Improved the efficiency and effectiveness of the custody function. The programme implemented a centrally managed custody function, and changed management ratios and shift patterns to ensure that resources align with demand
- Delivered significant changes to the Crime Command which aligned the detective workforce to demand by standardising the structures and staffing across the CID functions and implemented a new shift pattern
- Streamlined or removed activity across the county to make the investigation process more efficient
- Realigned the intelligence analytical function to better deal with threat and risk
- Reduced the manual inputting requirement for intelligence processing
- Centralised the administration of the Public Protection Units and co-located the function with Social Services to improve services to vulnerable children
- Reconfigured specialist resources to ensure that service provision meets the realistic levels of threat, harm and risk which exist within Cumbria
- Uniformed Operational Support was restructured to support community policing by changing its operating practices and the shift pattern to align resources to demand
- Both the Crime and Operational Support reviews freed up police officer posts to deliver community policing
- Evaluated the Administration Review and the effectiveness of the transactional processes, making further recommendations to make efficiencies
- Reviewed and implemented changes to the procurement function to provide a better service so that the Constabulary can make further savings

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- Reviewed the Occupational Health function to improve resilience within the function so that it can support the Constabulary in improving productivity

In addition, the Communications Centre has been moved to a single site at Police HQ so that improvements to call handling can be delivered for the public and further efficiencies delivered.

The Constabulary has carried out Customer Journey Mapping, which involved interviewing individual service users and organisations representing specific groups about their actual experience of using police services. Recommendations were approved by senior operational staff and have led to the development of the Quality of Service Action Plan to improve services for all users, including diverse groups.

During 2013-14 the Constabulary has been inspected by HMIC and received reports on valuing the police, child sexual exploitation and domestic abuse. The reports have identified that

- Cumbria has made good progress in delivering savings and providing value for money
- A small number of areas for improvement have been identified from the other inspections and action plans have been developed.

Significant progress has also been made on the Constabulary's Continuous Improvement, Efficiency and Value for Money Strategy. The Constabulary has used HMIC Value for Money profiles and Police Objective Analysis to inform its Change Programme and applied zero based budgeting to secure maximum value from the resources available.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

During 2014-15 the Constabulary will :-

Evaluate the effectiveness of its revised governance arrangements including the board structure, making recommendations for improvement where appropriate.

Review the Constabulary's monthly performance management reports, improving the information provided to chief officers and senior managers so that it adds more value and better informs decision making.

Develop strategic resource management performance data to drive improvements in our use of resources and our productivity.

Review the Constabulary's Performance Development Conferences to inform, explore and discuss root causes of performance issues (good and bad) and drive action to deliver improvements in services to the public.

Further develop its Quality of Service Strategy to support operational policing, to improve service delivery and user satisfaction. This will include development of an overarching action plan to co-ordinate all related actions from internal and external reviews.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The key functions and roles of the 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. The PRSRA and the PPO also set out the function and roles of statutory officers, namely the Chief Constable's Chief Financial Officer.

During 2013-14, the Constabulary reviewed its governance arrangements and recommended a strategic governance framework and board structure that enables the Constabulary to deliver all of its objectives. Each board has clearly defined purpose, principles and identified responsibilities. The structure was developed to ensure:

- Working together to manage the major strands of work effectively, with interdependencies and conflicts being identified and resolved, risks managed and ensuring that benefits are delivered
- Clarity about what decisions are made by each governance board, and what needs to be escalated or devolved
- Clarity about what decisions are made by each level of senior management
- That the schedule of meetings supports the governance framework and are compatible with OPCC and PCP meeting schedules.

The review also delivered a strategy for effective communications of decisions and information so that

practitioners have the material and authority they require to deliver on behalf of senior managers.

Task and Finish Groups have been set up when required to ensure that the Constabulary has the capacity to deliver specific major pieces of work. For example the Command and Control Steering Group was established to manage the merging of the Communication Centres onto one site - the approach ensured that the right people from the diverse functions were involved and the activity appropriately coordinated.

During 2013-14 the Constabulary has also reviewed its key governance documents consisting of

- Procurement Regulations
- Financial Regulations
- Anti-Fraud & Corruption Policy
- Code of Corporate Governance

Where appropriate joint for documents have been developed alongside the Office of the Police and Crime Commissioner covering both organisations, examples of this include the Procurement and Financial Regulations. In revising the governance framework the effects of the stage 2 transfer of police staff to the Chief Constable, other action plans and external guidance and the practical experience of the first year of operating within the Police and Crime Commissioner framework have been incorporated.

The Joint Audit and Standards Committee scrutinised the governance documents and were able to provide feedback prior to their approval.

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The Chief Constable also produced a draft Scheme of Delegation setting out the responsibilities and decision making authorities of officers and staff of the Constabulary acting on his behalf. This document is still being developed and will be formally completed in 2014-15.

During 2013-14 the Chief Constable's Director of Legal Services provided legal advice to the Chief Constable. As a member of the Chief Officer Group the Director of Legal Services was also able to advise on the legality of all strategic decisions.

During 2013-14 the Chief Constable's Chief Finance Officer complied with the responsibilities for proper management of the Chief Constable's financial affairs as set out in guidance on the role of the Chief Finance Officer issued by CIPFA in 2010 and subsequently revised in 2012 to reflect the specific responsibilities in relation to Chief Constables.

To support working together, the Chief Officers, senior directors and Chief Finance Officer delivered roads shows across the county to officers and staff. The presentations described the Chief Constable's vision and strategic objectives, their rationale and how they would be achieved. The impact for officers on the frontline was also explained and opportunities for questions and answers provided and taken up. The approach was supported by a range of communications across the force.

The Constabulary has worked closely with the OPCC through formal mechanisms (such as Executive Board meetings, Accountability Board meetings) and informally through one to one meetings with senior staff from both organisations. For example, the Constabulary and OPCC media staff meet every week to review each other's forward plan for communications, engagement and marketing to maximise opportunities, reduce duplication

and provide clarity for the media and the public based on our agreed protocol.

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 of multi-agency partnership working include

- Acting as operational chair for the Local Resilience Forum (a multiagency group which plans for and manages major incidents in the county that require a coordinated response to keep people safe) and leads on its media and communications.
- Chairing the county's CRASH partnership, which has been established to improve road safety across the county.
- Chairing the Safer Cumbria Action Board
- Active participation in the Local Safeguarding Board and the Safeguarding Improvement Board, which deal with child protection issues.
- Working in Community Safety Partnerships
- Countering alcohol harm through the Constabulary's own strategy and as part of the Cumbria Alcohol Steering Group.
- Combating anti-social behaviour in partnership with various local authorities and housing associations.

With regard to human resources, during 2013-14, the Constabulary successfully negotiated with Unison to change Police Staff terms and conditions, which provided greater flexibility for the organisation to meet its business needs. The revised conditions included changes to overtime arrangements, job evaluation, pay protection, flexible contracts /locations and flexible working hours.

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The Constabulary has also given consideration to and introduced those aspects of the Winsor Report, Parts 1 and 2 on Police Officer terms and conditions of employment for implementation. These include new arrangements for the delegation of authority to approve short notice work on public holidays; the determination of new pay scales and assimilation for new entrant police officers; the abolition of competency related threshold payments (CRTP) and introducing a higher level of on call payment for Federated Ranks.

The Constabulary has not taken up the option of introducing a Voluntary Exit Scheme for Police Officers. No further action has been taken to introduce direct entry to Superintendent ranks as neither feature has been thought necessary to aid workforce planning at the Constabulary.

During 2013-14 the South Wales police investigation into the conduct of the Temporary Chief Constable was concluded. Following the receipt of the report, the Commissioner was initially responsible for managing the process and his actions in this respect are detailed in the Commissioner's Annual Governance Statement.

Mr Hyde's appointment as Temporary Chief Constable came to an end on 30th August 2013, at which point he reverted back to his substantive rank of Deputy Chief Constable and therefore came under the responsibility of the Office of the Chief Constable.

The Chief Constable very carefully considered the findings of the independent Executive Summary released by the Commissioner. The Chief Constable concluded that whilst Mr Hyde's behaviour had fallen short of what the police service and the public should demand from a senior public servant, he believed that in his role as Deputy Chief Constable, Mr Hyde should return to work, albeit under a detailed plan to ensure lessons were learnt from what has been identified during the investigation.

On 9th September 2013 Mr Hyde commenced a managed return to the Constabulary having received management advice. On his return he conducted a strategic review of ICT developments.

Mr Hyde retired from Cumbria Constabulary on 31st December 2013.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

The Constabulary will update outstanding governance documents including its financial rules, budget and asset protocols and the Chief Constable's Scheme of Delegation.

The Constabulary will undertake further development of business plans for non-operational policing functions to ensure that activity is directed to supporting delivery of policing services.

The Constabulary will develop schemes to carry out fitness testing of officers and to review the contribution of police officers on restricted duties to front line policing in line with the recommendations of the Winsor Review.

The Constabulary's current scheme of PDR has been suspended for 2014-15 with a view to incorporating Winsor changes and streamlining the process. A new scheme is anticipated to be designed and in place for 2015-16. The Constabulary is also developing a more streamlined assessment process for incremental progression for police officers linked to satisfactory performance in the PDR.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Constabulary takes a pro-active approach to strengthening its arrangements for ensuring the highest standards of integrity in all elements of its business. During 2013-14 the Chief Constable held corporate planning events attended by senior managers within the Constabulary on the subject of ethics and values. This resulted in the development of a Corporate Values Statement, which has been communicated to all officers and staff.

The adoption and implementation of the ACPO Integrity Action Plan, and Integrity Model, which arose from the HMIC 'Without Fear or Favour' inspections of all forces in 2011 and 2012, is central to the Constabulary's actions to improve its integrity arrangements. The core themes of the action plan are the:-

- Handling of media relations and information.
- Providing greater guidance and clarity regarding the acceptance of gifts and hospitality, business conduct in relation to procurement and secondary business interests.
- The identification, monitoring and management of integrity issues.

The action plan was largely implemented in 2013-14.

In addition, during 2013-14, a separate action plan which, covered similar issues, was produced in response to the South Wales Police enquiry into the conduct of the former

Temporary Chief Constable. Again this action plan was principally completed in 2013-14. Progress on implementing the recommendations of the South Wales report was subject to scrutiny by the Joint Audit and Standards Committee.

A subsequent internal audit report on integrity within the Constabulary concluded that arrangements were satisfactory and highlighted 'many examples of good practice, such as improved clarity around the acceptance of gifts and hospitality and, updating of policies'. A small number of recommendations for further improvement, including the establishment of a routine mechanism for cross checking procurement records with registers of business interests / secondary employment were made.

During 2013-14 the Constabulary's Anti-Fraud and Corruption Policy and Procedures have been updated and subject to scrutiny and challenge by the Joint Audit and Standards Committee prior to being formally approved. The revised arrangements, on recommendation from the Committee have included greater focus on raising awareness of whistle-blowing arrangements for staff. In support of the 2013-14 financial statements the Chief Constable has also submitted to the [External](#) Auditor a fraud risk assessment providing further assurance to protect against fraud and corruption.

Procedures for the use of corporate credit cards have been substantially revised to provide more robust guidance and re-enforce the limited circumstances under which they will be authorised for use. The procedures have been reviewed by the Joint Audit and Standards Committee and amended

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to take on board members recommendations prior to being issued to relevant staff.

The role of 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 October 2013.

During 2013-14 the Professional Standards Department Anti-Corruption Unit have reported regularly to the Commissioner in relation to its work.

The Professional Standards Department have issued five PASS newsletters during the 2013-14 year to officers and staff in relation to issues of conduct and integrity. The newsletters have provided guidance on generic responsibilities such as use of force systems, use of the internet and e-mails and associations which could pose a vulnerability. Newsletters have also highlighted specific examples of misconduct which have led to disciplinary action. This is 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.

The Professional Standards Department also oversees all complaints against the Constabulary. Complaints and the results of subsequent investigations are reported periodically to the Police and Crime Commissioner. Whilst the number of complaints increased in 2013-14, both the level of complaints, expressed per officer and the percentage of those complaints upheld remains well below the national average. Where trends in upheld complaints identify specific issues PASS newsletters are issued by Professional Standards providing additional guidance to officers and staff, for example guidance on procedures for Voluntary Searches was issued in 2013-14

AREAS FOR FURTHER DEVELOPMENT

During 2014-15 the Constabulary will communicate and embed the National College of Policing Code of Ethics which has recently been issued. The Code of Ethics will also be incorporated into individual and organisational performance meetings and the policy development and review process.

The Constabulary will consider the benefits of establishing Ethics and Integrity Regulation and Management Committees to strengthen its governance arrangements over the next year.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Chief Officer Group have made a significant number of strategic decisions over the past 12 months across operational and business functions - ranging from approving the digital and mobile strategy, identifying the right IT systems and approving the business plans that support delivery of police services for the public. All of these decisions have been informed by business cases or reports, which clearly specify the impacts on finance, HR, risk, diversity, legal, procurement and ICT and which also clearly justify any expenditure made. All professional expertise is represented at the governance boards. All decisions have been minuted and part 1 decisions made available on SharePoint.

The Commissioner has a statutory duty and electoral mandate to hold the police to account and to maintain an efficient and effective police force. In this role, he has scrutinised decisions made by the Constabulary throughout the year.

Every month, senior police officers carry out a full and robust assessment of operational risk, harm and threat to communities. These are discussed at monthly Tasking & Coordination meetings. This process systematically reviews vulnerable people, repeat offenders, vulnerable missing from home, significant domestic abuse, prison issues, organised crime groups and threats to life. Action has been taken and resources tasked to deal with the operational issues raised.

Every day, officers in each Territorial Policing Areas have held a Daily Management Meeting which identifies the

crimes, incidents that have occurred over the previous 24 hours and any vulnerable or high profile incident (such as a vulnerable missing child or known domestic abuser). Senior officers have allocated their resources based on this evidence and effective management of threat harm and risk.

The Joint Audit and Standards Committee has conducted 5 public meetings during the course of the year. As an advisory body, the Committee has undertaken a significant amount of work to review and make recommendations in respect of the Chief Constable's arrangements for governance and management of risk. This has included a special meeting of the Committee in February to consider the revised stage 2 governance framework, prior to its adoption by the Chief Constable. The Commissioner and the Chief Constable met jointly with the Committee in September in order to receive the views of members prior to authorising the statement of accounts and 2013 Governance Statements for publication.

Risk management is a standing agenda item on all boards, including programme and project management boards. Mitigating actions have been identified and tracked to ensure that risks are minimised.

The Constabulary commissioned an audit of the risk management arrangements using the organisation's insurer (Gallagher Bassett). The results were satisfactory, with some recommendations being made about determining the Constabulary's risk appetite, improved tracking risks and how risks are categorised. An Action plan has been developed.

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An annually developed internal audit plan uses risk as the basis of developing an audit programme to assess the sufficiency of internal controls and their operational effectiveness. During 2013/14 internal audit have undertaken a substantial review of their approach to audit and risk in line with the new Public Sector Internal Audit Standards (PSIAS) that came into effect on April 1st 2013. The review has been supported by an external assessment by Grant Thornton with the outcome presented to the Audit and Standards Committee on March 31 2014.

The impact of that review has been the development of a risk based audit planning process that has a significantly wider focus across the business than has previously been the case. The risk based focus recognises that the most significant areas of business risk can be within non-financial systems and processes.

In relation to audits conducted in 2013-14, a total of seventeen audits were completed, of which 82%, including all financial audits were graded as either good or satisfactory. Where internal audit recommendations have been made a robust action plan is put place in response.

The audit plan for 2014-15 developed using this approach has been subject to review by members of the Joint Audit and Standards Committee prior to being signed off by the Commissioner and Chief Constable. Significantly the plan includes audit work covering:

- The adequacy and effectiveness of arrangements for data quality, call handling and dispatch within the new centralised communication centre

- Audit work to provide assurances with regard to the adequacy and effectiveness of custody arrangements to minimise the risk of death in custody
- Audits of the arrangements for policy development and absence management
- Risk based cyclical audits of the financial systems based on a three year audit interval

Work during 2013-14 as part of this review has also resulted in the re-design of audit reports to improve the quality and accessibility of audit judgements. The reports include a specific section on risk exposure.

AREAS FOR FURTHER DEVELOPMENT

The Constabulary will continue to develop and improve its risk management processes. In 2014-15 the recommendations of the independent review by the Constabulary's insurers in relation to risk categorisation and consideration of risk appetite will be implemented.

The Constabulary's internal website will continue to be developed in particular to improve the access and search capability which will make it easier for officers and staff to access the information they need.

Decisions of Constabulary boards will be published on the intranet to improve communication and understanding of officers and staff of the objectives we are trying to achieve.

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Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2013-14 the Constabulary received guidance from the Association of Chief Police Officers, which provided information on best practice in relation to a wide range of operational policing areas.

The Constabulary's annual training plan was developed in early 2013-14 in conjunction with Operational Leadership Teams. In developing the plan there was particular focus on ensuring that officers involved in the review of Operational Support were equipped with the requisite skills to perform the dual roads policing and firearms role, which is now required of them. Additional resources were also directed to the probationer training to support the enhanced level of officer recruitment during the year.

The training plan was delivered for the first time through a strategic training collaboration with Lancashire Police. The collaboration is managed by a shared learning & development management team with oversight from a joint Governance Board which has representation from the Chief Officer teams of both forces. The Board met on three occasions over the year to scrutinise delivery of the plan.

The collaboration has delivered benefits through :-

- Increased capacity to deliver training, which has been particularly beneficial to accommodate the increased level of recruitment in 2013-14.
- Reduced costs.
- Harmonisation of course content based on best practice across the forces.

During the year there has been particular focus on ensuring that command accreditation is in place in compliance with the National Policing Requirement. This ensures that senior

officers are trained, evaluated and accredited to national standards to allow them to deal with public order, firearms and the handling of major and critical incidents.

A number of officers and staff have also attended the College of Policing Leadership Programme over the last year to develop their leadership skills within the policing environment.

For 2013-14 external training budgets have been devolved to local managers to encourage greater ownership and accountability for the allocation and management of training resources.

For police staff additional training resources have been directed towards developing specific ICT and media skills in line with business priorities. The Finance Department was been re-structured to include an Assistant CFO post along with a training plan, to address challenges with regard to capacity within the function which was supported by the members of the Joint Audit & Standards Committee.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. The overall conclusions from that review are that the Audit and Standards Committee is extremely effective in its operation. The review has demonstrated that within the areas of the CIPFA self-assessment the Committee can evidence substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as being evidence of effectiveness.

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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. In areas where the Committee has not achieved a grade 5 there are plans to improve and develop the arrangements within the Committee's 2014-15 work programme. 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>.

AREAS FOR FURTHER DEVELOPMENT

The core skills and leadership programme which forms part of the Constabulary's business plan will continue to be developed and implemented in 2014-15. This programme will focus on developing the appropriate operational and technical skills needed by officers and staff at all levels together with an improved focus on developing leaders at all levels within the organisation.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Constabulary has a Community Engagement and Involvement Strategy, which is reported via the Joint Operational Senior Management Meeting. This includes a consultation action plan, which co-ordinates all on-going consultation activities and is regularly reviewed and refreshed on an annual basis to continually improve consultation arrangements. .

During the year, the Constabulary consulted with the public to find out their priorities, how safe they felt and what services they valued. These informed the development of the Constabulary's objectives for 2014-15.

The Constabulary commissions an external company to survey victims of crime and antisocial behaviour by telephone and has used the feedback to improve the services it provides. Where issues are raised a fast track service recovery process has been developed to ensure that they are responded to quickly.

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 36,000 followers. Online discussion forums have been introduced to supplement community meetings, surveys and other public engagements to identify priorities, concerns and

areas for improvement. An example of this relates to specialist cybercrime advice to counter child exploitation.

The Strategic Independent Advisory Group has met regularly to discuss emerging issues of strategy and policy both nationally and locally. An annual report on Diversity and Equality setting out how objectives had been achieved was provide to the Commissioner and published on the website. Equality information is published every quarter on the Constabulary's website.

Throughout the year, Neighbourhood Policing Teams (NPTs) have engaged with the public through a variety of means which helps to reduce crime by encouraging respect for the law and fostering social responsibility and to determine local priorities.

The Constabulary has Community Engagement Plans written by each of the 10 NPTs. The plans detail how officers within the NPTs will engage with their community, and is specifically grouped around; Town and Parish Councils, local residents, businesses, schools and young people; and members of the community with Protected Characteristics (Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion and Belief and Sexual orientation).

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The table below show the estimated hours spent engaging by NPTS across the county:

	Hours	%
Town / Parish Council Meetings	1,709	59
Local Residents (Surgeries & Drop Ins)	865	30
Businesses	220	7
Schools and Youth Clubs	68	3
Protected Characteristics	28	1
Total	2,890	100

Every month, local crime data has been published at community level on the Constabulary's website and via police.co.uk to increase the transparency of performance and crime data.

The Constabulary has responded to 805 freedom of Information requests in 2013 - 14.

The Chief Constable's first set of audited accounts were signed on 23 September 2013 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 commissioner as at 31 March 2013 and that they have been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting. The auditors further confirmed in their annual governance report on 23 September 2013 a positive conclusion with regards to securing value for money.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

The Constabulary will continue to develop its internet site to enhance accessibility and relevance to the public and media.

The Constabulary will develop its Engagement Strategy to improve trust and confidence in policing services and to identify policing priorities which need to be addressed in their local area. This will include provision of police desks across the county.

Annex B – Annual Governance Statement

REPORT ON THE 2013 – 14 GOVERNANCE DEVELOPMENT AND IMPROVEMENT PLAN

Area of Governance	Ref	Action	Lead Officer	Implementation by
Core Principle 1: Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.	4.12	Review governance arrangements in the light of changes to the Police & Crime Plan and the Strategic Work Programme. The governance framework was reviewed, streamlined and improved to ensure effective delivery of significant change while maintaining operational and business performance to deliver police services for the public. The review ensured that interdependencies are identified and coordinated and that risk is managed effectively. In addition, the review identified improved transparency of decisions made across the whole Constabulary and improved communications to practitioners so that they can deliver what is required. The revised governance framework was effective from 1 April 2014.	Deputy Chief Constable	Complete
	4.13	Review all governance documents and amend for the implications of stage 2 transfers. The Constabulary's Governance framework was reviewed in the context of stage 2 transfers and presented to the Joint Audit and Standards Committee for comments prior to adoption. The financial and procurement regulations are joint with the OPCC. Work is on-going in relation to the Chief Constable's Scheme of Delegation and the financial rules.	Deputy Chief Constable	Principal documents complete. Work is on-going on more detailed documents.
	4.14	Review and amend the funding agreement between the Commissioner and Constabulary to reflect financial implications of stage 2 transfers. The revised funding agreement was produced and signed off by the Chief Officer Group subject to clarification of a small number of minor points.	Deputy Chief Constable	Complete
	4.15	Publish an Annual Report for the Constabulary. The Annual Report was written and approved by Chief officer Group and is available on request.	Director of Corporate Improvement	Complete
	4.16	Create and Develop implement an Individual Officer Performance Dashboard An individual Officer Performance Dashboard was developed further during 2013 - 14. This has allowed sergeants to quickly view their officers' workload and forms the basis of regular one to one performance meetings, improving supervision and productivity. The dashboard will be further developed in 2014-15 and the process of regular performance monitoring embedded.	Director of Corporate Improvement	Complete
	4.17	Introduce Customer Journey Mapping Customer Journey Mapping was undertaken to improve the quality of service provided to all users and particularly diverse groups. This involved interviewing individual service users and organisations representing specific groups about their actual experience of using police services. This was fed back to senior management to inform improvements in services and is the basis of our Quality of Service Action Plan.	Director of Corporate Improvement	Complete
Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.	5.13	Review all governance documents and develop the Constabulary's own documents where required. The Constabulary's Governance framework was reviewed in the context of stage 2 transfers and presented to the Joint Audit and Standards Committee for comments prior to adoption. The financial and procurement regulations are joint with the OPCC. Work is on-going in relation to the Chief Constable's Scheme of Delegation and the financial rules.	Deputy Chief Constable	Principal documents complete. Work is on-going on more detailed documents.
Core Principle 3: Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	6.9	Audit Committee Review of effectiveness. The CFO has undertaken an evaluation of the effectiveness of the Joint Audit and Standards Committee in line with CIPFA guidance.	Chief Finance Officer / Audit Committee Chair	Complete
	6.1	Joint action plan in relation to recommendations arising from the independent investigation into the conduct of Temporary Chief Constable Mr Hyde	PCC / Chief Constable	

Annex B – Annual Governance Statement

Area of Governance	Ref	Action	Lead Officer	Implementation by
Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.	7.1	Review risk management strategy. The risk management strategy was revised to align with the new Constabulary structure. In the last quarter of 2013 – 14, the Constabulary's insurers were invited to review the Constabulary's risk management arrangements. The recommendations included improvements about categorisation and managing risk appetite and these will be implemented during 2014 – 15.	Director of Corporate Improvement	Complete
	7.11	Review of Policies and Procedures. Where it is available, the Constabulary has adopted ACPO Authorised Professional Practice, which provides national standards for policy and procedure. During 2013 – 14, a comprehensive risk assessment of all policies and their procedures has been undertaken, resulting in a streamlined policy framework and a prioritised action plan to update retained policies. Quarterly reports are provided to the main boards to identify progress and agree future actions. The approach improves standards and decision making and will reduce risk.	Director of Corporate Improvement	Initial Review Complete Activity On-going.
Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.	8.9	Design and Implement a Core Skills and Leadership Programme. Work has commenced on designing a Core Skills and Leadership Programme as part of the Constabulary Business Plan. The timescale for delivery of the programme has been slightly extended to synchronise with ICT developments.	Director of Corporate Support & Head of Learning & Development.	30-Sep-15
Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.	9.11	Develop an Internet Strategy Stage 1 completed. The Constabulary's website has been developed to enhance accessibility and relevance to the public and media, including expansion into mobile phone networks, on line web chats for access to expert practitioners and, use of Twitter Alarm to support information for the public during critical or major incidents	Director of Corporate Improvement	Stage 1 complete Further Work on-going.
	9.12	Publish an Annual Report for the Constabulary. The Annual Report was written and approved by Chief officer Group and is available on request.	Director of Corporate Improvement	Complete

Annex B – Annual Governance Statement

DEVELOPMENT AND IMPROVEMENT PLAN FOR 2014 - 15

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 1: Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.	The Constabulary will evaluate the effectiveness of the revised governance framework and board structure, making recommendations to improve where appropriate	Director of Corporate Improvement	30-Sep-14
	The Constabulary will develop further its Quality of Service Strategy to support operational police service to improve delivery and user satisfaction. This will include an action plan to coordinate all related actions from internal and external reviews.	Director of Corporate Improvement	30-Sep-14
	Review the Constabulary's monthly performance management reports, improving the information provided to chief officers and senior managers so that it adds more value and better informs decision making.	Director of Corporate Improvement	30-Sep-14
	Review the Constabulary's Performance Development Conferences to inform, explore and discuss root causes of performance issues (good and bad) and drive action to deliver improvements in services to the public.	Director of Corporate Improvement	30-Sep-14
	Develop strategic resource management performance data to drive improvements in our resources and our productivity	Director of Corporate Improvement	30-Sep-14
Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.	Winsor Review - The Constabulary is currently developing schemes to carry out fitness testing and to review the contribution of police officers on restricted duties to front line policing in line with Winsor recommendations. These are anticipated to be in place by September 2014. The Constabulary is also developing a more streamlined assessment process for incremental progression linked to satisfactory performance within PDR.	Head of Human Resources	30-Sep-14
	PDR – The current Scheme has been suspended for 2014/15 with a view to incorporating Winsor changes and streamlining the processes involved. A new Scheme is anticipated for use in 2015/16. The Constabulary is also developing a more streamlined assessment process for incremental progression for police officers linked to satisfactory performance within PDR.	Head of Human Resources	31-Dec-14
	The Constabulary will update outstanding governance documents including the financial rules and the Chief Constable's Scheme of Delegation.	CFO & Director of Legal Services	30-Sep-14
	Further development of business plans for non-operational functions to ensure activity is directed to supporting delivery of policing services	All Directors and CFO	31-Mar-15
Core Principle 3: Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	The Constabulary will communicate and embed the National College of Policing Code of Ethics and incorporate this in the performance monitoring process.	Chief Constable and Head of PSD	30-Sep-14
	The Constabulary will consider the benefits of establishing Ethics and Integrity Regulation and Management Committees.	PCC / Chief Constable	31-Dec-15
Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.	In the last quarter of 2013 – 14, the Constabulary's insurers were invited to review the Constabulary's risk management arrangements. The recommendations included improvements about categorisation and managing risk appetite and these will be implemented during 2014 – 15.	Director of Corporate Improvement	31-Mar-15
	As part of the improvement to the Constabulary's internal website, the access and search capability of the policy library on the intranet will be modernised and updated to ensure that it is easier for officers and staff to access the right information	Director of Corporate Improvement	31-Mar-15
	The decisions made by Constabulary boards will be available on the intranet to improve communication and understanding for all officers and staff to support achievement of objectives.	Director of Corporate Improvement	31-Mar-15
Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.	Design and Implement a Core Skills and Leadership Programme.	Director of Corporate Support & Head of Learning & Development.	31-Mar-15
Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.	The Constabulary will develop its strategy to improve its internet site further, to enhance accessibility and relevance to the public and media.	Director of Corporate Improvement	31-Mar-15
	The Constabulary will develop its Engagement Strategy to improve trust and confidence in policing services and to identify the policing priorities that need to be addressed in their local area. This will include provision of Police Desks across the county	Director of Corporate Improvement	31-Aug-14





The Chief Constable for Cumbria Constabulary

Statement of Accounts | 2013/14





The Chief Constable for Cumbria
Constabulary

Statement of Accounts 2013/14

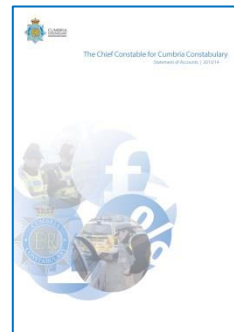
About this Publication

This publication contains the single entity financial statements for the Chief Constable for Cumbria Constabulary. All funding for the constabulary comes from the Police and Crime Commissioner for Cumbria (the Commissioner). For an overall (group) financial position please see the Commissioner's Statement of Accounts which incorporates those of the Chief Constable.



The Statement of Accounts for 2013/14 is available on the Constabulary's website at www.cumbria.police.uk

The corresponding accounts for the Police and Crime Commissioner can be found on the Commissioner's website at: www.cumbria-pcc.gov.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 £10 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

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The Chief Constable for Cumbria Constabulary

Statement of Accounts 2013/14

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The CC CFO Introduction, for a quick highly summarised version of this statement of accounts please read the next 9 pages. The full story starts on page 12, please read that too.

Please see page 21 for a full list of the notes to the accounts and cross references to page numbers.

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2013/14 financial year. This is the second set of accounts for the Chief Constable for Cumbria Constabulary. On 22 November 2012 the Police and Crime Commissioner (the Commissioner) and the Chief Constable were established as separate legal entities with a requirement for single entity accounts. The funding and accountability relationship between the entities meets the definition of a subsidiary for the Chief Constable. This results in a requirement for the Commissioner to produce consolidated group accounts. This financial statement sets out the single entity statements of the Chief Constable. They are published in accordance with the Accounts and Audit Regulations 2011.

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 2014. The reporting format is specifically designed to meet the requirements of the Code of Practice on financial reporting. 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 introduction aims to provide a simplified summary of the financial statements as part of this publication. It is also available as stand-alone Summary Statement document on the same website. The Commissioner's consolidated financial statements can be accessed from the Commissioner's website: www.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 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

CC Chief Finance Officer Introduction and Summary of Accounts

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.

2013/14 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 the force through the provision of funding to the Chief Constable. Details of the 2013/14 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

Summary Budget and Outturn

The table below shows the summary budget for 2013/14 as set on 22 February 2013, the revised budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit).

	Base Budget 2013/14 £000s	Revised Budget 2013/14 £000s	Provisional Ouuturn 2013/14 £000s	(Under)/ Overspend 2013/14 £000s
Constabulary Budget				
Police Officer Pay & Allowances	73,086	75,788	73,614	(2,174)
PCSO Pay & Allowances	2,879	2,879	2,464	(415)
Police Staff Pay & Allowances	13,133	13,034	12,894	(140)
Transport related	2,890	2,916	2,599	(317)
Supplies & Services	9,549	9,350	9,128	(222)
Third Party Related	1,215	1,578	1,521	(57)
Funding from PCC	0	(3,849)	(3,849)	0
Total CC Funding	102,752	101,696	98,371	(3,325)
CC Managed Budgets				
Police Staff - Support Services	6,821	6,969	6,985	16
Other Employee Budgets	1,251	1,191	1,329	138
Premises Related	3,712	3,747	3,961	214
Income	(3,782)	(5,325)	(5,412)	(87)
Total CC Managed	8,002	6,582	6,863	281
Total Constabulary	110,754	108,278	105,234	(3,044)

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 Comprehensive Income and Expenditure Statement.

The constabulary budget is made up of funding for employee costs (Police Officers £75.8m, PCSO's £2.88m, Police Staff £13m), transport costs of £2.9m and supplies/other costs of £11m. Chief Constable managed budgets comprise premises expenditure of £3.7m with the balance being support staff and other employee costs including provision for redundancy. These budgets are managed by the Chief Constable on behalf of the Commissioner.

In-Year Financial Performance

Revenue Expenditure: The Chief Constable's revenue underspend during the year amounted to £3.044m and of this sum £2.589m (85%) related to lower than anticipated expenditure on Police Officers and PCSO's as a result of operating below establishment. The Chief Constable has now developed a robust workforce plan which will see Police Officer and PCSO numbers operating on or around establishment throughout 2014/15.

The underspend for the year was forecast early in the budget monitoring process. This enabled £3m of the unutilised funding to be included within the 2014/15 budget to support the Commissioner's investment in commissioned services which includes providing additional funding for the Constabulary by way of the Police Innovation Fund.

The Chief Constable has developed a business plan which proposes to utilise the Commissioner's Police Innovation Fund to invest in technology and training

with the aim of increasing the productivity of officers and staff in anticipation of having to operate with a smaller workforce in future.

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 £3.311m in 2013/14, are shown in the combined financial statements of the Commissioner.

The Financial Statements

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. This section of the financial summary provides an explanation of the various parts of the statement alongside a high level summary and narrative on the financial position. The financial statements for 2012/13 have been re-stated due to a change in disclosure requirements in respect of pensions. A full explanation is provided in note 22 to the accounts on pages 49-51.

The key financial statements are:

- The Movement in Reserves Statement (MiRS)
- The Comprehensive Income and Expenditure Statement (CI&ES)

CC Chief Finance Officer Introduction and Summary of Accounts

- The Balance Sheet (BS)
- The Cash Flow Statement (CFS)
- The Police Officer Pension Fund Accounts

Movement in Reserves Statement

This statement shows the different reserves held by the Chief Constable, analysed into 'Usable Reserves' that that can be applied to fund expenditure and other (principally technical accounting) 'Unusable Reserves'. It shows the opening balance on all reserves at the start of the year, movements in year and the closing balance. The movements in year comprise movements arising from the Surplus or Deficit on the Provision of Services line within CI&ES, other CI&ES adjustments and accounting adjustments.

The accounting adjustments provide a mechanism through which charges made within the accounts in accordance with accounting standards are reversed, leaving only the statutory amounts required to be charged for council tax purposes. The statement is shown on page 17 in the full statement of accounts.

The table below sets out a summary movement in reserves statement.

	Balance 01/04/2013 £000s	Movements 2013/14 £000s	Balance 31/03/2014 £000s
Constabulary Fund	0	0	0
CC Police Pension Reserve	(1,010,490)	11,090	(999,400)
CC LGPS Pension Reserve	(28,804)	12,028	(16,776)
CC Accumulated Absences A/c	(3,645)	309	(3,336)
Total Reserves	(1,042,939)	23,427	(1,019,512)

The reserves shown above on the Chief Constable's movement in reserves statement are classed as unusable. All usable reserves, which can be used to support service provision, are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner. The Commissioner formally recognises the need for contingencies against unplanned and planned expenditure in the future which cannot be accurately quantified at the time of closing the accounts. The Commissioner's Police Fund Balance at 31 March 2014 stands at £5.149m. This represents 5% of the net budget and will be held at this level pending the 2015/16 grant settlement. In addition a number of specific earmarked reserves are maintained to address specific areas of expenditure, usually of a non-recurring nature, which must be incurred over a period of years, but which cannot be formally quantified at the time of closing the 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 service expenditure analysis as required by the Service Reporting Code of Practice (SERCOP). This provides information on the cost of the different policing services that have been provided over the financial year. The CI&ES is shown on page 18 of the full statement of accounts.

CC Chief Finance Officer Introduction and Summary of Accounts

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

	Gross Expenditure 2013/14 £000s	Gross Income 2013/14 £000s	Net Expenditure 2013/14 £000s
Local policing	48,555	(51)	48,504
dealing with the public	7,379	(1)	7,378
criminal justice	9,052	(11)	9,041
arrangements	6,892	(25)	6,867
Road policing	4,015	(12)	4,003
Specialist operations	5,821	(6)	5,815
Intelligence	13,889	(8)	13,881
Investigations	3,115	(1)	3,114
Investigative support	1,452	(25)	1,427
National policing	299	0	299
Corporate and democratic	88	0	88
core	671	0	671
Non distributed costs	0	(103,613)	(103,613)
Exceptional items -			
termination costs			
Funding provided by PCC			
Cost of Services	101,228	(103,753)	(2,525)
Financing and investment	48,031	(3,435)	44,596
income			
(surplus)/deficit on the	149,259	(107,188)	42,071
provision of services			
other comprehensive	0	(65,498)	(65,498)
income and expenditure			
Total comprehensive	149,259	(172,686)	(23,427)
income and expenditure			

The statement shows a net surplus on the cost of services of £3m, based on proper accounting practices. This comprises £101m of expenditure funded by £104m of funding provided by the Commissioner. In addition, the CI&ES also records a number of technical accounting adjustments, principally to show changes to future pensions obligations over the year. The overall position on the statement is an accounting surplus of £23m.

A subjective analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the notes to the statement of accounts (note 13b on page 40).

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2014) of the assets and liabilities recognised by the Chief Constable. The Chief Constable's current assets (£9m) 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 (£11m) 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 (£1,017m) represent the Chief Constable's share of the pensions deficit. 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 19 in the full statement of accounts.

The table below sets out a summary balance sheet.

	Balance as at 31/03/2013 £000s	Balance as at 31/03/2014 £000s
Current assets	8,490	8,869
Current liabilities	(10,880)	(11,415)
Long term liabilities	(1,040,549)	(1,016,966)
Net Assets	(1,042,939)	(1,019,512)
Usable reserves	(1,042,939)	0
Unusable reserves	0	(1,019,512)
Total reserves	(1,042,939)	(1,019,512)

The Chief Constable's financial statements for 2012/13 included a number of technical accounting reserves as usable reserves that would normally be treated as unusable reserves. This accounting treatment was required as at the time the Chief Constable did not have the powers of statutory override required to reverse accounting entries through a movement in reserves statement. These powers have now been granted and as such the reserves are now shown as unusable reserves and a movement between usable and unusable reserves was effected as at 1 April 2013.

Reserves are reported on the balance sheet consistently with the movement in reserves statement, across two categories. Usable Reserves result from the Chief Constable's activities and could be used to finance future expenditure, however, under the terms of the funding arrangement between the Commissioner and Chief Constable, the Chief Constable does not hold any usable reserves. Unusable Reserves are derived from accounting adjustments and cannot be spent. The unusable reserves include accounting reserves in respect of revaluations, pensions and accumulated absences.

The Chief Constable's 2013/14 balance sheet shows a combined pensions deficit of £1,016m (£1,039m in 2012/13) 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.

Post Balance Sheet Events

In the Chief Constable's 2012/13 Statement of Accounts, a post balance sheet event was included in relation to the continued suspension of Mr Hyde the temporary Chief Constable on 13 September 2012. In September 2013, Mr Hyde returned to work in his substantive role as Deputy Chief Constable. Mr Lawson the temporary Chief Constable (seconded from Merseyside Police) continued in his role throughout 2013/14. Mr Hyde retired from his post in December 2013.

In April 2014, the Commissioner undertook a recruitment exercise to appoint a permanent Chief Constable for Cumbria and Mr Graham (formerly the Deputy Chief Constable) was appointed to the role following confirmation by the Police and Crime Panel and will take up Office on 1 August 2014.

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 20 of the full statement of accounts.

CC Chief Finance Officer Introduction and Summary of Accounts

The table below provides a summary of the cash flow statement:

	Cash Flows 2012/13 £000s	Cash Flows 2013/14 £000s
Balance 1 April	0	0
Net (Surplus)/Deficit on the provision of services	37,898	42,071
Adjustment for non-cash movements	(37,898)	(42,071)
Net cash flows from operating activities	0	0
Balance 31 March	0	0

Police Officer Pension Fund Accounts

This statement sets out the transactions on the Police Officer pension fund account for the year. A page of explanatory notes are also provided within the financial statements to support the account. The pensions fund and notes can be found on pages 52-53 of the full statement of accounts.

	Pension Fund A/c 2012/13 £000s	Pension Fund A/c 2013/14 £000s
Contributions - Employer	(9,987)	(9,772)
Contributions - Officers	(4,939)	(5,277)
Transfers In	(180)	(298)
Capital Equivalent - Ill Health	(231)	(469)
Benefits Payable	27,311	30,392
Refunds of Contributions	0	9
Transfers Out	84	173
Net Amount payable	12,058	14,758
Contribution from PCC/Home Office top Up grant	(12,058)	(14,758)
Net Amount Payable	0	0

The statement identifies a net amount payable for the year of £14.758m. This is the difference between the amount due from employer, police officer and other contributions into the fund and the pension benefits that are payable from the fund. The Police Officer Pension Fund is an unfunded scheme. This means that there are no investment assets built up to meet pension liabilities. Any difference between the amounts received into the fund and amounts to be paid are met by central government grant.

Supporting Information to the Financial Statements

The key financial statements are supplemented by an explanation of the accounting policies used in preparing the statements (Annex A). 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 acronyms. The statements are published alongside the Annual Governance Statement for the Chief Constable in accordance with the 2011 Accounts and Audit (England) Regulations.

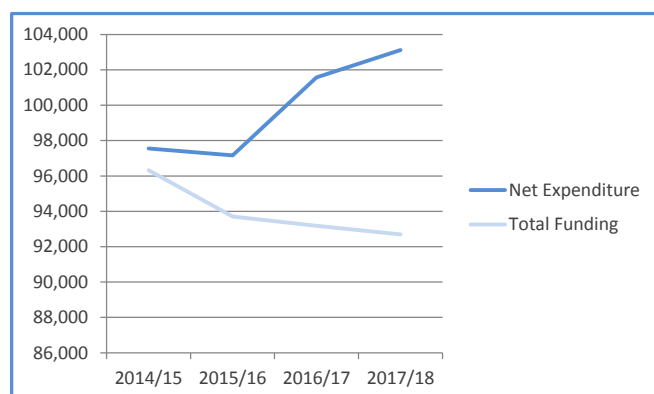
The Annual Governance Statement of the Chief Constable can be found on the Constabulary website at www.cumbria.police.uk or on pages 65-86 of this Statement of Accounts.

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the overall financial position of the Chief Constable as at 31 March 2014. This has primarily arisen as a result of underspend on the budget and positive action on behalf of the Constabulary to reduce costs in the context of future reductions in government funding. Whilst the outlook is financially resilient in the short term, it is expected to become significantly more challenging over the next few years.

Significantly the budget set for 2014/15 was set in the context of a four year medium term financial forecast that is in deficit from 2016/17. Gross income, at the time of setting the 2014/15 budget, was forecast to be £122.3m but with an estimated reduction to £118.6m by 2017/18. Whilst income decreases cost will rise due to the impact of inflation and pay awards.

The chart below illustrates for the next four years, the current forecast of expenditure compared to funding available to finance it.



The 2015 spending review is expected to make further reductions in the total level of resources available. At least £10m of savings will need to be made over those four years to balance the budget even with annual increases in council tax. This will mean significant reductions in police officers and staff at a time where some crime figures are starting to increase.

The current financial forecasts exclude the impact of a £16m risk of funding loss arising from changes to central government funding formula. The Commissioner's balance sheet position on reserves is currently being maintained at a higher than usual level to mitigate against the impact of this risk.

The Commissioner and Chief Constable are developing a detailed change programme to consider options that will address the future gap between expenditure and income.

Acknowledgements

The financial statements were originally authorised for issue by me as CC Chief Finance Officer (CFO), on 25 June 2014. Following completion of the audit, they were re-authorised by me on 22 September 2014 and were formally approved by the Chief Constable at a joint meeting of the Executive Board and Joint Audit and Standards Committee.

It is also appropriate to acknowledge the support and co-operation of the PCC Chief Finance Officer Ruth Hunter in the preparation of these accounts.

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

Roger Marshall

CC 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 2014 and its income and expenditure for the year there ended.

CC Chief Finance Officer

Roger Marshall CPFA _____ Date 22 September 2014

The accounts present a true and fair view of the position of the Chief Constable for Cumbria Constabulary as at 31 March 2014 and its income and expenditure for the year there ended.

Chief Constable for Cumbria Constabulary

Jerry Graham BA (Hons) MA _____ Date 22 September 2014

Responsibilities for the Statement of Accounts

1 The Chief Constable's Responsibilities

The Chief Constable 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 CC Chief Finance Officer.
- 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 CC Chief Finance Officer's Responsibilities

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

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

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

The CC 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 CC 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 2014.



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Independent Auditor's Report

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Independent Auditor's Report

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure) and other 'Unusable reserves'. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

The figures for the Chief Constable in 2013/14 are provided in the table below:

CC Figures for 2013/14										
	Balance at 1 April 2013	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers between usable and unusable reserves	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2013/14	Balance at 31 March 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Chief Constable's Constabulary Fund	0	(42,071)	0	(42,071)	42,071	0	0	0	0	0
Chief Constable's Police Pension Reserve	(1,010,490)	0	0	0	0	1,010,490	1,010,490	0	1,010,490	0
Chief Constable's LGPS Pension Reserve	(28,804)	0	0	0	0	28,804	28,804	0	28,804	0
Chief Constable's Accumulated Absences Account	(3,645)	0	0	0	0	3,645	3,645	0	3,645	0
Total Usable Reserves	(1,042,939)	(42,071)	0	(42,071)	42,071	1,042,939	1,042,939	0	1,042,939	0
Unusable Reserves										
Chief Constable's Police Pension Reserve	0	0	51,350	51,350	(40,260)	(1,010,490)	(999,400)	0	(999,400)	(999,400)
Chief Constable's LGPS Pension Reserve	0	0	14,148	14,148	(2,120)	(28,804)	(16,776)	0	(16,776)	(16,776)
Chief Constable's Accumulated Absences Account	0	0	0	0	309	(3,645)	(3,336)	0	(3,336)	(3,336)
Total Unusable Reserves	0	0	65,498	65,498	(42,071)	(1,042,939)	(1,019,512)	0	(1,019,512)	(1,019,512)
Total Reserves	(1,042,939)	(42,071)	65,498	23,427	0	0	23,427	0	23,427	(1,019,512)

The comparative figures for 2012/13 are provided in the table below:

CC Re-stated Figures for 2012/13										
	Balance at 1 April 2012	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure (Note 4)	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers to other usable reserves (Note 4)	Net increase/ (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2012/13	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Chief Constable's Constabulary Fund	0	(37,898)	(125,410)	(163,308)	0	163,308	0	0	0	0
Chief Constable's Police Pension Reserve	(854,730)	0	0	0	0	(155,760)	(155,760)	0	(155,760)	(1,010,490)
Chief Constable's LGPS Pension Reserve	(21,190)	0	0	0	0	(7,614)	(7,614)	0	(7,614)	(28,804)
Chief Constable's Accumulated Absences Account	(3,711)	0	0	0	0	66	66	0	66	(3,645)
Total Usable Reserves	(879,631)	(37,898)	(125,410)	(163,308)	0	0	(163,308)	0	(163,308)	(1,042,939)
Total Reserves	(879,631)	(37,898)	(125,410)	(163,308)	0	0	(163,308)	0	(163,308)	(1,042,939)

In the movement in reserves statement above (and on the balance sheet on page 19) number of reserves are shown as usable in 2012/13 and unusable in 2013/14. Whilst the Police Reform and Social Responsibility Act 2011 (PRSRA) created the Chief Constable for Cumbria Constabulary as a separate legal entity, it did not confer full local authority status with the result that in preparing the 2012/13 accounts, the Chief Constable did not have the power to apply a statutory override which allows transactions to be converted from an accounting basis to statutory basis. The effect of this was that a number of reserves were required to be shown as usable which would otherwise be treated as unusable. This power was subsequently granted in the Anti-social Behaviour, Crime and Policing Act 2014. Accordingly the reserves are now able to be shown as unusable reserves.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

		CC 2012/13 Gross Expenditure Re-stated £000s	CC 2012/13 Gross Income Re-stated £000s	CC 2012/13 Net Expenditure Re-stated £000s	CC 2013/14 Gross Expenditure £000s	CC 2013/14 Gross Income £000s	CC 2013/14 Net Expenditure £000s
	Notes						
Local Policing	13a	47,925	(2)	47,923	48,555	(51)	48,504
Dealing with the public	13a	7,222	0	7,222	7,379	(1)	7,378
Criminal justice arrangements	13a	9,038	0	9,038	9,052	(11)	9,041
Road policing	13a	6,869	(1)	6,868	6,892	(25)	6,867
Specialist operations	13a	4,060	0	4,060	4,015	(12)	4,003
Intelligence	13a	7,122	0	7,122	5,821	(6)	5,815
Investigations	13a	13,119	0	13,119	13,889	(8)	13,881
Investigative support	13a	2,809	0	2,809	3,115	(1)	3,114
National policing	13a	1,986	(1)	1,985	1,452	(25)	1,427
Corporate and democratic core	13a	274	0	274	299	0	299
Non distributed costs	13a	195	0	195	88	0	88
Termination Payments	17	1,134	0	1,134	671	0	671
Funding Provided by PCC to CC		0	(106,618)	(106,618)	0	(103,613)	(103,613)
Cost Of Services		101,753	(106,622)	(4,869)	101,228	(103,753)	(2,525)
Financing and Investment Income and Expenditure							
▲ Net Interest on the net defined benefit liability (asset)	11	46,183	(3,416)	42,767	48,031	(3,435)	44,596
		46,183	(3,416)	42,767	48,031	(3,435)	44,596
(Surplus) or Deficit on Provision of Services		147,936	(110,038)	37,898	149,259	(107,188)	42,071
Remeasurement of the net defined pension benefit liability/asset	11			125,410			(65,498)
Other Comprehensive Income and Expenditure				125,410			(65,498)
Total Comprehensive Income and Expenditure				163,308			(23,427)

Balance Sheet

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the reserves held by the Chief Constable.

		CC 31 March 2013 Re-stated £000s	CC 31 March 2014 £000s
	Notes		
Inventories		302	326
Short Term Debtors (amounts owed to CC by PCC re CC share of external Debtors)	8	2,658	2,878
Short Term Debtors (amounts owed to CC by employees re accumulated absences)	8	102	108
Short Term Debtors (funding balance owed to CC by PCC)	8	5,428	5,557
Current Assets		8,490	8,869
Short Term Creditors (amounts owed by CC to PCC re share of external creditors)	9	(4,173)	(4,767)
Short Term Creditors (amounts owed by CC to employees re accumulated absences)	9	(3,747)	(3,444)
Short Term Creditors (funding balance due from CC to PCC)	9	(2,960)	(3,204)
Current Liabilities		(10,880)	(11,415)
Provisions	10	(1,255)	(790)
Other Long Term Liabilities			
Pensions liability - Police	11	(1,010,490)	(999,400)
Pensions liability - LGPS	11	(28,804)	(16,776)
Long Term Liabilities		(1,040,549)	(1,016,966)
Net Assets		(1,042,939)	(1,019,512)
Usable reserves			
Chief Constable's Police Pension Reserve	12a	(1,010,490)	0
Chief Constables LGPS Pension Reserve	12a	(28,804)	0
Chief Constable's Accumulated Absences Account	12b	(3,645)	0
		(1,042,939)	0
Unusable Reserves			
Pensions Reserve - Police	12a	0	(999,400)
Pensions Reserve - LGPS	12a	0	(16,776)
Accumulated Absences Account	12b	0	(3,336)
		0	(1,019,512)
Total Reserves		(1,042,939)	(1,019,512)

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 funding arrangement between the Police and Crime Commissioner and the Chief Constable, the Chief Constable does not engage in investment and financing activities therefore all cash flows are classified as operating activities.

		CC 2012/13 Re-stated £000s	CC 2013/14 £000s
Net (Surplus) or Deficit on the provision of services		37,898	42,071
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(37,898)	(42,071)
Net cash flows from Operating Activities		0	0
CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:			
Pension Liability (Contributions to/from Pensions Reserve)		(37,963)	(42,381)
Creditors - Adjustment re CC Share of Debtors		(44)	226
Creditors - Adjustment re Balance of Funding due from PCC to CC		845	129
Debtors - Adjustment re CC Share of Creditors		(460)	(291)
Debtors - Adjustment re Balance of Funding due from CC to PCC		2	(243)
Stock - Change in Balance Sheet		12	24
Provisions - Change in Balance Sheet		(290)	465
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(37,898)	(42,071)

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. As a general rule, the column showing the figures for 2013/14 will be highlighted, whilst the comparatives for 2012/13 (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 54-56. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in pages 57 to 64 of this document, the [Chief Constable](#) 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 Chief Constable and Commissioner have 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](#).

2 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the [Chief Constable](#)'s Chief Finance Officer on 22 September 2014. Events taking place after this date are not reflected in the financial statements or notes.

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

The statement of Accounts contains estimated figures that are based on assumptions made by the [Chief Constable](#) 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 Chief Constable's balance sheet as at 31 March 2014 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the Accounts

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The Chief Constable has made a provision of £495k 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.	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 £50k to the provision needed.
	The Chief Constable has made a provision of £45k in respect of terminations costs (redundancy and additional pensions) in respect of redundancies to which the Constabulary had made an offer and could no longer withdraw as at 31 March 2014 which will take place in 2014/15.	Throughout the period of reorganisation, termination costs have been met from the Management of Change Reserve (held on the balance sheet of the Commissioner) established for this purpose, any increase in the costs of termination (over and above that in the provision) will be met from the reserve. Any increase or decrease in the actual amount paid compared to the established provision will fall to the revenue budget for 2014/15.
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.</p> <p>Two firms of consulting actuaries are engaged to provide the Chief Constable 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>	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 note 11c on pages 35-36.

Notes to the Accounts

4 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the [Chief Constable](#) in the year in accordance with proper accounting practice to the resources that are specified by statutory [provisions](#) as being available to the Chief Constable to meet future expenditure.

The figures for 2013/14 are set out in the table below:

	Note	CC Constabulary Fund Balance	CC Police Pension Reserve	CC LGPS Pension Reserve	CC Accumulated Absences Account	CC Total Reserves
		£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	11a/12a	70,867	(65,890)	(4,977)	0	0
Employer's pension contributions and direct payments to pensioners payable in the year	11a/12a	(28,487)	25,630	2,857	0	0
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12b	(309)	0	0	309	0
Total Adjustments		42,071	(40,260)	(2,120)	309	0

The comparative figures for 2012/13 are set out in the table below:

	Note	CC Constabulary Fund Balance	CC Police Pension Reserve	CC LGPS Pension Reserve	CC Accumulated Absences Account	CC Total Reserves
		£000s	£000s	£000s	£000s	£000s
Other Comprehensive Income & Expenditure		125,410	(119,150)	(6,260)		0
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	11a/12a	63,801	(59,570)	(4,231)	0	0
Employer's pension contributions and direct payments to pensioners payable in the year	11a/12a	(25,837)	22,960	2,877	0	0
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12b	(66)	0	0	66	0
Total Adjustments		163,308	(155,760)	(7,614)	66	0

Notes to the Accounts

5 Heritage Assets

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

The code requires [Heritage Assets](#), which are maintained principally for their contribution to knowledge or culture, to be separately disclosed.

The [Chief Constable](#) holds a small number of historical ephemera relating to policing in Cumbria which would fall under the definition of heritage assets including: a ceremonial chair, four antique firearms, several trophies, a commemorative plaque, two ceremonial swords and four portraits.

In the opinion of the Chief Constable the assets do not have a material intrinsic value in the context of the Chief Constable's accounts. Due to their historical origin no cost of valuation information is available and because of their diverse nature specialist valuations would be required to obtain a reliable estimate of their value. The Chief Constable is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefits gained and therefore no values are included in the Chief Constable's balance sheet.

6 Audit Fees

In 2013/14 the [Chief Constable](#) incurred the following fees relating to external audit services provided by Grant Thornton UK LLP (from September 2012).

	CC 2012/13 £000s	CC 2013/14 £000s
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.	20	20
Rebate from Audit Commission in year.	(1)	(2)
Total External Audit Fees for Year	19	18

Notes to the Accounts

7 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.

7.a Categories of Financial Instrument

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

	CC Current	
	31 March 2013 £000s	31 March 2014 £000s
Financial Assets		
Debtors		
Financial assets carried at contract amounts	136	108
Total Financial Assets	136	108
Financial Liabilities		
Creditors		
Financial liabilities carried at contract amounts	(6,167)	(7,299)
Total Financial Liabilities	(6,167)	(7,299)

7.b Fair value of Assets and Liabilities Carried at Amortised Cost

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

- The fair value of trade and other receivables is taken to be the invoiced amount.

As the [Chief Constable](#) only holds debtors and creditors as financial instruments, the fair value is estimated to be the same as the carrying amount as set out in the table above.

7.c Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

The [Chief Constable](#)'s activities expose him to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Chief Constable.
- Liquidity Risk – the possibility that the Chief Constable might not have funds available to meet its commitments to make payments.

Credit Risk

Credit Risk is the possibility that other parties might fail to pay amounts due to the Chief Constable.

As the Chief Constable is funded by [the Commissioner](#), the Chief Constable's credit risk arises indirectly through the Commissioner's 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 2013 and subsequently amended in June 2013), also imposes a maximum sum to be invested with a financial institution located within each category.

Liquidity Risk

Liquidity Risk is the possibility that the Chief Constable might not have funds available to meet his commitments to make payments.

Under the terms of the funding arrangement between the Commissioner and the Chief Constable the Commissioner provides funding to the Chief Constable on a cash basis. As the Commissioner has ready access to borrowings from the PWLB and had at 31 March 2014 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 to the Chief Constable within the terms of the funding arrangement.

Notes to the Accounts

8 Short-term Debtors

A breakdown of the amounts owing to the [Chief Constable](#) as at 31 March 2014 is set out in the table below:

		CC As at 31 March	
		2013 £000s	2014 £000s
Balance Owed from PCC re CC Share of External Debtors			
- Lancashire Police re Pre 74 Pensions		34	0
- Police pensions prepayment		1,906	2,018
- Prepayments/Payments in Advance		718	861
		2,658	2,879
Balance Owed from Employees (re accumulated Absences		102	107
Balance Owed from PCC re Balance of Funding		5,428	5,557
Total Debtors		8,188	8,543

9 Short-term Creditors

An analysis of the amounts owed by the [Chief Constable](#) as at 31 March 2014 is set out in the table below:

		CC As at 31 March	
		2013 £000s	2014 £000s
Balance Owed to PCC re CC Share of External Creditors			
- Central Government Bodies		(1,893)	(1,824)
- Other Police/Local Authorities		(620)	(724)
- NHS Bodies		(3)	(4)
Other Entities and Individuals			
- Goods & Services		(1,657)	(2,215)
Balance owed to Employees (re accumulated absences)		(3,747)	(3,444)
Balance owed to PCC re balance of Funding		(2,960)	(3,204)
Total Creditors		(10,880)	(11,415)

Notes to the Accounts

10 Provisions

The [Chief Constable](#) 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 2014 is provided below:

Insurance liabilities – this provision has been established to meet a number of eventualities which are not covered by external insurers. In particular, liability risks up to £25k (per event) are retained by the Chief Constable and met internally.

Termination Payments - this employee related provision relates to a liability that exists in respect of termination benefits as a result of a decision made during 2013/14 for which the actual payments will fall into 2014/15.

Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.

The table below shows the movements during the year on each of the provisions and the position as at 31 March 2014.

Provisions	Balance as at 01/04/13	Additional Provisions Made 2013/14	Amounts Used in 2013/14	Unused Amounts Reversed in 2013/14	Balance as at 31/03/14
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(593)	(52)	150	0	(495)
Termination Payments	(532)	(45)	194	338	(45)
Legal Claims	(130)	(250)	122	8	(250)
Total Provisions	(1,255)	(347)	466	346	(790)

The comparative information for year ended 31 March 2013 is as follows:

Provisions	Balance as at 01/04/12	Additional Provisions Made 2012/13	Amounts Used in 2012/13	Unused Amounts Reversed in 2012/13	Balance as at 31/03/13
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(593)	(205)	205	0	(593)
Termination Payments	(232)	(532)	232	0	(532)
Pay Awards	(141)	0	141	0	0
Legal Claims	0	(130)	0	0	(130)
Total Provisions	(966)	(867)	578	0	(1,255)

11 Pensions

11.a Pension Schemes

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

The Chief Constable participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff employees, administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded [defined benefit scheme](#), meaning that the Chief Constable 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 2013/14 the Chief Constable made a contribution of 11.1% of pensionable pay supplemented by a contribution to [past service costs](#) of £520k. The contribution rate was last reviewed in March 2013 with revised rates applicable from April 2014.
- The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The Chief Constable and employees pay contributions into a separate pensions fund account administered by the Chief Constable 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. (2013/14 contribution rates for employers were 24.2% of pensionable pay and was last reviewed in March 2007).

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.

Notes to the Accounts

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

	CC LGPS Funded Benefits 2012/13 Re-stated £000s		CC LGPS Unfunded Benefits 2012/13 Re-stated £000s		CC Police Scheme Old Scheme 2012/13 2013/14 £000s		CC Police Scheme 2006 Scheme 2012/13 2013/14 £000s	
Comprehensive Income and Expenditure Statement								
<i>Cost of Services</i>								
<i>Service cost comprising:</i>								
• Current service cost	3,049	3,683	0	0	15,460	18,840	2,330	3,660
• Past service costs	0	0	0	0	20	0	0	0
• (Gain)/loss from settlements	175	88	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>					0	0	0	0
• Net interest expense	958	1,161	49	45	40,990	42,330	770	1,060
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	4,182	4,932	49	45	56,470	61,170	3,100	4,720
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)	(5,728)	(2,688)	0	0	0	0	0	0
• Actuarial (gains) and losses arising on changes in demographic assumptions	1,114	2,375	6	8	(380)	(140)	0	(10)
• Actuarial (gains) and losses arising on changes in financial assumptions	10,737	(10,399)	61	(23)	140,560	(28,650)	4,000	(2,050)
• Experience (gains) and losses on liabilities	0	(3,545)	0	39	(25,410)	(19,830)	380	(670)
• Administration expenses	70	85	0	0	0	0	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	10,375	(9,240)	116	69	171,240	12,550	7,480	1,990
<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.	(4,182)	(4,932)	(49)	(45)	(56,470)	(61,170)	(3,100)	(4,720)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>								
• Employers' contributions payable to the scheme	2,814	2,794	63	63	0	0	0	0
• Retirement benefits payable to pensioners	0	0	0	0	23,620	26,600	(660)	(970)
Total amount charged against the Police Fund Balance for pensions in the year	2,814	2,794	63	63	23,620	26,600	(660)	(970)

Notes to the Accounts

11.b Assets and Liabilities in relation to Retirement Benefits

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 [Chief Constable](#) at 31 March 2014 are as follows:

	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme Old Scheme		CC Police Scheme 2006 Scheme	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(104,764)	(100,858)	(1,061)	(1,067)	(988,130)	(974,080)	(22,360)	(25,320)
Fair value of plan assets	77,021	85,149	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(27,743)	(15,709)	(1,061)	(1,067)	(988,130)	(974,080)	(22,360)	(25,320)

The liabilities in the above table show the underlying commitments that the Chief Constable has, in the long run, to pay retirement benefits. The total liability of £1.016b (£1.039b in 2012/13) has a substantial impact on the net worth of the Chief Constable as recorded in the balance sheet, resulting in a negative overall balance of £1.020b (£1.043b in 2012/13).

However, statutory arrangements for funding the deficit mean that the financial position of the Constabulary 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.

Notes to the Accounts

Reconciliation of present value of scheme liabilities:

	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme Old Scheme		CC Police Scheme 2006 Scheme	
	2012/13 Re-stated £000s	2013/14 £000s	2012/13 Re-stated £000s	2013/14 £000s	2012/13 £000s	2013/14 £000s	2012/13 £000s	2013/14 £000s
Balance at Start of Year	(86,188)	(104,764)	(1,008)	(1,061)	(840,510)	(988,130)	(14,220)	(22,360)
Current service cost	(3,049)	(3,683)	0	0	(15,460)	(18,840)	(2,330)	(3,660)
Interest cost	(4,374)	(4,596)	(49)	(45)	(40,990)	(42,330)	(770)	(1,060)
Contributions by Scheme Participants	(1,122)	(1,088)	0		(4,330)	(4,470)	(610)	(810)
Remeasurement gains and (losses):								
- Arising from changes in demographic assumptions	(1,114)	(2,375)	(6)	(8)	380	140	0	10
- Arising from changes in financial assumptions	(10,737)	10,399	(61)	23	(140,560)	28,650	(4,000)	2,050
- Experience gains/(losses)	0	3,545	0	(39)	25,410	19,830	(380)	670
Past service cost	0	0	0	0	(20)	0	0	0
Gains/(losses) on curtailment	(175)	(88)	0		0	0	0	0
Benefits Paid/Transfers	1,995	1,792	63	63	27,950	31,070	(50)	(160)
Balance at End of Year	(104,764)	(100,858)	(1,061)	(1,067)	(988,130)	(974,080)	(22,360)	(25,320)

The liabilities under both the LGPS and Police pension schemes have reduced during 2013/14. The principal reason for this decrease is in relation to remeasurement gains and losses.

Reconciliation of [fair value](#) of the scheme assets:

	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits	
	2012/13 Re-stated £000s	2013/14 £000s	2012/13 Re-stated £000s	2013/14 £000s
Balance at Start of Year	66,006	77,021	0	0
Interest Income	3,416	3,435	0	0
Remeasurements - Gains and (Losses)	5,728	2,688	0	0
Administration Expenses	(70)	(85)	0	0
Employer Contributions	2,814	2,794	63	63
Contributions by Scheme Participants	1,122	1,088	0	0
Benefits Paid	(1,995)	(1,792)	(63)	(63)
Balance at End of Year	77,021	85,149	0	0

Notes to the Accounts

The Police Pension Scheme has no assets to cover its liabilities. The [Chief Constable'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	CC 2012/13		CC 2013/14	
		£000s	%	£000s	%
Equities					
UK Quoted	Y	11,707	15.20%	11,923	14.00%
UK Unquoted	N	0	0.00%	85	0.10%
Global Quoted	Y	9,474	12.30%	13,793	16.20%
UK Equity Pooled	N	9,243	12.00%	10,303	12.10%
Overseas Equity Pooled	N	13,864	18.00%	13,113	15.40%
Bonds					
UK Corporate Bonds	Y	5,853	7.60%	5,876	6.90%
Overseas Corporate Bonds	Y	231	0.30%	341	0.40%
UK Corporate Bonds Pooled	N	6,085	7.90%	3,320	3.90%
UK Government Indexed Pooled	N	12,169	15.80%	13,282	15.60%
Property					
UK	Y	4,313	5.60%	5,876	6.90%
Property Funds	N	462	0.60%	170	0.20%
Alternatives					
Hedge Funds	N	1,079	1.40%	170	0.20%
Private Equity Funds	N	1,309	1.70%	1,362	1.60%
Infrastructure Funds	N	0	0.00%	511	0.60%
Cash					
Cash Instruments	Y	231	0.30%	85	0.10%
Cash Accounts	Y	616	0.80%	4,598	5.40%
Net Current Assets	N	385	0.50%	341	0.40%
		77,021	100.00%	85,149	100.00%

11.c Basis for estimating assets and liabilities

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

Notes to the Accounts

The principal assumptions used by the actuary have been:-

	LGPS		Police Scheme	
	2012/13	2013/14	2012/13	2013/14
Long-term Expected Rate of Return on Assets in the Scheme:				
- Equity Investments	7.00%	7.00%	N/A	N/A
- Government Bonds	2.80%	3.40%	N/A	N/A
- Other Bonds	3.90%	4.30%	N/A	N/A
- Property	5.70%	6.20%	N/A	N/A
- Cash / Liquidity	0.50%	0.50%	N/A	N/A
- Other	7.00%	7.00%	N/A	N/A
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.2	23.0	23.4	23.4
- Women	24.9	25.5	25.8	25.9
Longevity at 65 for future pensioners:				
- Men	24.1	25.7	25.7	25.6
- Women	26.9	28.7	27.9	28.0
Rate of Inflation (CPI)	2.40%	2.40%	2.50%	2.50%
Rate of increase in salaries	4.15%	3.90%	4.75%	4.50%
Rate of increase in pensions	2.40%	2.40%	2.50%	2.50%
Rate for discounting scheme liabilities	4.40%	4.60%	4.30%	4.40%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	N/A	N/A

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. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. 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

	CC		
	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)	1,817	71	85
Rate of Inflation (increase by 0.1%)	2,350	110	109
Rate of Increase in Salaries (increase by 0.1%)	696	0	33
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(2,298)	(105)	(94)

Notes to the Accounts

Sensitivity Analysis – Police Pension Schemes

Impact on Defined Benefit Obligation	CC	
	Police Pensions Old Scheme £000s	Police Pensions 2006 Scheme £000s
Assumption Sensitivity		
Longevity (1 Year increase in life expectancy)	17,000	400
Rate of Increase in Pensions (increase by 0.5%)	83,000	2,300
Rate of Increase in Salaries (increase by 0.5%)	19,000	2,600
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(102,000)	(4,800)

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

11.d Impact on the Chief Constable's Cash Flows

The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The [Chief Constable](#) has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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 will cease to be a final salary schemes from 31 March 2014 and the Police Pension Scheme will cease 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 contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2015 are £2,290k. Expected contributions for the Police Pension Scheme in the year to 31 March 2015 are £10,070k.

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

	2012/13 Years	2013/14 Years
Pensions Scheme		
Local Government Pension Scheme	19	23
Police Pension -Old Scheme	21	21
Police Pension -2006 Scheme	37	37

Notes to the Accounts

12 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 retirement and employee benefits and do not represent usable resources for the [Chief Constable](#).

12.a 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 [Chief Constable](#) 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 Chief Constable 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 Chief Constable 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.

	CC LGPS Pensions		CC Police Pensions	
	2012/13 Re-stated £000s	2013/14 £000s	2012/13 Re-stated £000s	2013/14 £000s
Balance 31 March 2013 per 2012/13 Statement of Accounts (unusable Reserves)	0	0	0	0
Adjustment re reclassification of Chief Constable's reserves to unusable reserves	(21,190)	(28,802)	(854,730)	(1,010,490)
Adjustment re Prior Period Adjustment as outlined in note 22 (page 49-51)	0	(2)	0	0
Balance at the start of the year	(21,190)	(28,804)	(854,730)	(1,010,490)
Remeasurement of the net defined pension benefit liability/asset	(6,260)	14,148	(119,150)	51,350
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	(4,231)	(4,977)	(59,570)	(65,890)
Employer's pension contributions and direct payments to pensioners payable in the year.	2,877	2,857	22,960	25,630
Balance at End of Year	(28,804)	(16,776)	(1,010,490)	(999,400)

Notes to the Accounts

12.b 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.

	CC 2012/13 £000s	CC 2013/14 £000s
Balance 31 March 2013 per 2012/13 Statement of Accounts (Unusable reserves)	0	0
Adjustment re reclassification of Chief Constable's reserves as unusable reserves	(3,711)	(3,645)
Balance at the start of the year	(3,711)	(3,645)
Settlement or cancellation of accrual made at the end of the preceeding year	3,711	3,645
Amounts accrued at the end of the current year	(3,645)	(3,336)
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	66	309
Balance at End of Year	(3,645)	(3,336)

13 Comprehensive Income and Expenditure Statement

This account 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.

13.a Comprehensive Income and Expenditure Statement Categories

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

(a) Police Services, this includes the following activities:

- Local Policing – neighbourhood policing, incident management, local investigation, community liaison, local command team and support overheads.
- Dealing with the Public – local call centre/front desk, central communications unit.
- Criminal Justice Arrangements – custody/prisoner handling, criminal justice arrangements, Police National Computer, civil disclosure/criminal records bureau, coroner assistance, fixed penalty scheme/central ticket office.
- Roads Policing – traffic units, vehicle recovery, road safety partnership
- Specialist Operations – central operations command team and support overheads, underwater search/marine support, dogs sections, level 1 advanced public order, firearms unit, civil contingencies.
- Intelligence – central intelligence command team and support overheads, intelligence/threat assessments, covert policing.
- Specialist Investigation – crime support command team and support overheads, major investigations unit, economic crime, serious and organised crime unit, public protection.
- Investigative Support – scenes of crime officers, external forensic costs, fingerprint/DNA bureau, photographic image recovery, other forensic services.
- National Policing – secondments (out of force), counter terrorism/special branch, [ACPO](#) projects/initiatives.

(b) Corporate and Democratic Core Costs:

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

(c) Non Distributed Costs:

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

Notes to the Accounts

13.b Subjective Analysis of Income and Expenditure

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

		CC 2012/13 Gross Expenditure Re-stated £000s	CC 2012/13 Gross Income Re-stated £000s	CC 2012/13 Net Expenditure Re-stated £000s	CC 2013/14 Gross Expenditure £000s	CC 2013/14 Gross Income £000s	CC 2013/14 Net Expenditure £000s
	Notes						
Police Pay & Allowances		36,222	0	36,222	31,780	0	31,780
PCSO Pay & Allowances		2,724	0	2,724	2,570	0	2,570
Police Staff Pay & Allowances		20,422	0	20,422	20,428	0	20,428
Other Employee Costs		2,825	0	2,825	2,377	0	2,377
Police Pensions - IAS19 Current Service Costs		17,790	0	17,790	22,500	0	22,500
Total Employee Costs		79,983	0	79,983	79,655	0	79,655
Premises		5,055	0	5,055	5,212	0	5,212
Transport		3,642	(4)	3,638	3,518	(48)	3,470
Supplies & services		11,813	(73)	11,740	11,548	(92)	11,456
Agency & Contract Services		1,002	0	1,002	1,047	0	1,047
Support Services		134	0	134	160	0	160
Pension Interest Costs	11	46,183	(3,416)	42,767	48,032	(3,435)	44,597
Gross Operating Expenditure		147,812	(3,493)	144,319	149,172	(3,575)	145,597
Non Distributed Costs		195	0	195	88	0	88
Funding from PCC to reimburse expenditure by CC		0	(106,618)	(106,618)	0	(103,613)	(103,613)
Net Operating Expenditure		148,007	(110,111)	37,896	149,260	(107,188)	42,072
Pensions Adjustment	11	(37,962)	0	(37,962)	(42,381)		(42,381)
Transfers to/(from) Accumulated Absences A/c	12b	66	0	66	309		309
Total		110,111	(110,111)	0	107,188	(107,188)	0

13.c Segmental Income and Expenditure

The income and expenditure of the [Chief Constable](#)'s principal segments is recorded in the [budget](#) reports for the year as follows:

Section/Department	Employee Expenses £000s	Expenditure Other Operating Expenses £000s	Total £000s	Income Funding provided by PCC to CC £000s	Total £000s	Net Total £000s
Cumbria Constabulary						
- Territorial Policing Command	51,109	7,433	58,542	0	0	58,754
- Crime Command	16,554	2,936	19,490	0	0	19,490
- Corporate Support	6,575	9,597	16,172	(103,613)	(103,613)	(87,653)
- Corporate Improvement	607	114	721	0	0	721
- Professional Standards	1,016	40	1,056	0	0	1,056
- Legal Services	316	391	707	0	0	707
Total	76,177	20,511	96,688	(103,613)	(103,613)	(6,925)

Notes to the Accounts

The comparative (re-stated) information for 2012/13 is as follows:

Section/Department	Employee Expenses	Expenditure Other Operating Expenses	Total	Income Funding provided by PCC to CC	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cumbria Constabulary						
- Territorial Policing Command	53,075	8,054	61,129	0	0	61,129
- Crime Command	17,757	2,137	19,894	0	0	19,894
- Corporate Support	6,798	9,742	16,540	(106,618)	(106,618)	(90,078)
- Corporate Improvement	927	138	1,065	0	0	1,065
- Professional Standards	1,006	37	1,043	0	0	1,043
- Legal Services	339	248	587	0	0	587
Total	79,902	20,356	100,258	(106,618)	(106,618)	(6,360)

13.d Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	CC Restated 2012/13 £000s	CC 2013/14 £000s
Net Expenditure in Service Analysis (above)	(6,360)	(6,925)
Add services not included in main analysis	6,360	6,925
Add technical accounting adjustments (not reported in management accounts)	33,028	39,547
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(37,897)	(42,072)
Net Cost of Services in Comprehensive Income and Expenditure Statement	(4,869)	(2,525)

13.e Reconciliation to Subjective Analysis

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

The figures for 2013/14 are as follows:

	CC Service Analysis	CC Services not in Analysis	CC Technical Adjustments	CC Not included in CI&ES	CC Net Cost of Services	CC Corporate Amounts	CC Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding Provided by PCC to CC	(103,613)	0	0	0	(103,613)	0	(103,613)
Total Income	(103,613)	0	0	0	(103,613)	0	(103,613)
Employee expenses	76,177	6,091	39,547	(42,072)	79,743	44,596	124,339
Other service expenses	20,511	834	0	0	21,345	0	21,345
Total operating expenses	96,688	6,925	39,547	(42,072)	101,088	44,596	145,684
(Surplus) or deficit on the provision of services	(6,925)	6,925	39,547	(42,072)	(2,525)	44,596	42,071

Notes to the Accounts

The comparative information for 2012/13 is as follows:

	CC Service Analysis	CC Services not in Analysis	CC Technical Adjustments	CC Not included in CI&ES	CC Net Cost of Services	CC Corporate Amounts	CC Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding Provided by PCC to CC	(106,618)	0	0	0	(106,618)	0	(106,618)
Total Income	(106,618)	0	0	0	(106,618)	0	(106,618)
Employee expenses	79,902	5,146	33,028	(37,897)	80,179	42,767	122,946
Other service expenses	20,356	1,214	0	0	21,570	0	21,570
Total operating expenses	100,258	6,360	33,028	(37,897)	101,749	42,767	144,516
(Surplus) or deficit on the provision of services	(6,360)	6,360	33,028	(37,897)	(4,869)	42,767	37,898

14 Disclosure of Remuneration for Senior Employees

The following table 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 table for 2013/14 includes members of the Extended Chief Officer Group which is the formal decision making body for the Constabulary. At stage one of the transition process, all police staff were transferred to the employment of [the Commissioner](#). As a result, the police staff members included in this table were (at the time) formally employed by the Police and Crime Commissioner but formed part of the decision making body of the Constabulary. Under stage 2 of the PCC transition process, which took place on 1 April 2014, the majority of police staff employees transferred to the employment of the [Chief Constable](#).

The table below includes the costs of the temporary Chief Constable (A) who was suspended on full pay in September 2012 and remained suspended until September 2013, at which time he returned to his substantive role as Deputy Chief Constable before retiring from service in December 2013.

A Temporary Chief Constable has been seconded from Merseyside Police to cover the role but continues to be paid by the Police and Crime Commissioner for Merseyside. Merseyside have recharged costs of this secondment amounting to £206k to the Police and crime Commissioner for Cumbria for the period April 2013 to March 2014, these costs are included in the accounts of the Chief Constable as third party related expenditure rather than as employee costs and are therefore excluded from the table below.

Notes to the Accounts

The table below gives the information for 2013/14 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind	Termination Pay & Compensation for Loss of Office	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Chief Constable										
Temp. Chief Constable	1	91	0	1	5	9	3	109	13	122
Temp. Deputy Chief Constable (A)	2	108	0	4	3	0	2	117	26	143
Deputy Chief Constable (B)	3	108	0	7	0	0	3	118	26	144
Chief Superintendent (A)	4	29	0	1	0	0	5	35	7	42
Chief Superintendent (B)		79	0	1	2	0	5	87	19	106
Chief Superintendent (C)	5	33	0	1	0	0	1	35	8	43
Chief Superintendent (D)		79	0	2	0	0	0	81	19	100
Superintendent		73	0	2	1	0	3	79	18	97
CC Chief Finance Officer		56	0	0	0	0	0	56	6	62
Director of Corporate Support		77	0	0	0	0	0	77	8	85
Director of Corporate Improvement		71						71	8	79
Director of Legal Services		71	0	1	1	0	0	73	8	81
Total CC		875	0	20	12	9	22	938	166	1,104

Notes:

1 - Temp [Chief Constable](#) was suspended on full on full pay in September 2012 and remained under suspension until September 2013, at which time he returned to his substantive role as Deputy CC before retiring from office in December 2013.

2 - Temporary Deputy Chief Constable (A) was in post as Temp DCC until 09/09/13 and then reverted to the role of Assistant Chief Constable.

3 - Deputy Chief Constable (B) was in post as Assistant Chief Constable until 01/01/14 and was then appointed to the role of Deputy Chief Constable.

4 - Chief Superintendent A retired from office w.e.f. 13/08/13.

5 - Chief Superintendent C resigned from office w.e.f. 01/09/13.

Notes to the Accounts

The table below gives the comparative information for 2012/13 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind	Termination Pay & Compensation for Loss of Office	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Chief Constable										
Temp. Chief Constable (A)	1	131	0	0	6	0	2	139	32	171
Temp. Deputy Chief Constable (B)	2	108	0	0	5	0	2	115	26	141
Assistant Chief Constable	3	109	0	7	0	0	3	119	26	145
Chief Superintendent (A)		79	4	2	1	0	5	91	19	110
Chief Superintendent (B)		79	4	1	1	0	5	90	19	109
Chief Superintendent (C)		79	4	3	1	0	3	90	19	109
Chief Superintendent (D)		79	4	4	0	0	0	87	19	106
Superintendent		73	4	2	0	0	3	82	17	99
Head of Financial Services	4	55	1	0	0	0	0	56	6	62
Director of Corporate Support	5	72	0	1	0	0	0	73	8	81
Director of Corporate Improvement	6	70	0	0	0	0	0	70	8	78
Director of Finance & Resources	7	46	0	0	0	101	0	147	5	152
Director of Human Resources	8	29	0	0	0	127	0	156	3	159
Director of Legal Services		70	0	2	1	0	0	73	8	81
Total CC		1,079	21	22	15	228	23	1,388	215	1,603

Notes:

1 - Temporary [Chief Constable](#) (A) was suspended on the 13 September 2012 and remained on full pay. A temporary Chief Constable has been seconded from Merseyside Police to cover the role with effect from 13 September 2012, but continues to be paid by Merseyside Police & Crime Commissioner.

2 - Temporary Deputy Chief Constable (B) was promoted to Temporary Deputy Chief Constable on 12 November 2012 from the role of Assistant Chief Constable.

3 - The Assistant Chief Constable was acting as Temporary Deputy Chief Constable until 12 November 2012.

4 - The Head of Financial Services was appointed as Section 151 Officer on 1 November 2012, figures include a full years salary details.

5 - The Director of Corporate Support was appointed on the 7 November 2012, figures include a full years salary details.

6 - The Director of Corporate Improvement was appointed on the 1 November 2012, figures include a full years salary details.

7 - The Director of Finance & Resources left the organisation on the 1 November 2012, figures are part year but include final payments made in April 2013.

8 - The Director of Human Resources left the organisation on the 10 August 2012, figures are part year.

Notes to the Accounts

15 Employee Remuneration

The Code of Practice on Local Authority Accounting requires the disclosure of the number of employees and senior police officers (defined as those holding a rank **above** that of superintendent) whose remuneration, excluding pension's contributions, exceeded £50,000 in 2013/14 in bands of £5,000. This is set out in the table below:

Remuneration Band	2012/13			2013/14		
	CC Police Staff	CC Snr Police Officers	CC Total	CC Police Staff	CC Snr Police Officers	CC Total
£50,000 to £54,999	0	0	0	3	0	3
£55,000 to £59,999	1	0	1	1	0	1
£60,000 to £64,999	0	0	0	2	0	2
£65,000 to £69,999	0	0	0	2	0	2
£70,000 to £74,999	0	0	0	0	0	0
£75,000 to £79,999	0	0	0	0	1	1
£80,000 to £84,999	0	1	1	0	1	1
£85,000 to £89,999	0	3	3	0	0	0
£90,000 to £94,999	0	0	0	0	0	0
£95,000 to £99,999	0	0	0	0	0	0
£100,000 to £104,999	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	1	1
£110,000 to £114,999	0	2	2	0	2	2
£115,000 to £119,999	0	0	0	0	0	0
£120,000 to £124,999	0	0	0	0	0	0
£125,000 to £129,999	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	0	0
£135,000 to £139,999	0	0	0	0	0	0
£140,000 to £144,999	0	1	1	0	0	0
£145,000 to £149,999	0	0	0	0	0	0
£150,000 to £154,999	0	0	0	0	0	0
£155,000 to £159,999	0	0	0	0	0	0
Total	1	7	8	8	5	13

The above table includes only those police staff deemed as operational over which the [Chief Constable](#) has delegation and direction and control. Other police staff in support functions for which decision making rests with [the Commissioner's](#) Chief Executive are included in the single entity statements of the Commissioner. These staff provide support on a shared service basis to the Commissioner and the Chief Constable and are recharged between the single entity statements.

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 14 for more information.

Notes to the Accounts

16 Exit Packages

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

Exit package cost band (including special payments)	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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	Headcount	Headcount	Headcount	Headcount	Headcount	Headcount	£000s	£000s
£0-£20,000	2	12	5	12	7	24	93	292
£20,001 - £40,000	4	3	7	6	11	9	320	245
£40,001 - £60,000	1	1	2	2	3	3	142	161
£60,001 - £80,000	1	1	0	1	1	2	62	122
£80,001 - £100,000	1	0	0	0	1	0	94	0
£100,001 - £150,000	1	0	0	0	1	0	122	0
Total	10	17	14	21	24	38	833	820

17 Termination Payments

During 2013/14 the contracts of a number of employees were terminated incurring termination payments amounting to £671k (£1,134k in 2012/13). As this amount is significant in terms of the 2013/14 accounts the amount has been shown as a separate item on the face of the Comprehensive Income and Expenditure Statement (page 18).

This amount is made up exit packages paid in 2013/14 and a provision for exit packages to be paid in 2014/15 where the decision to terminate employment has been made in 2013/14.

The exit packages amount to £820k (£833k in 2012/13). The exit packages can be further split into compensation for loss of employment £645k (£689k in 2012/13) and enhanced pension benefits £175k (£144k in 2012/13). The redundancies are as a result of the Constabulary's change programme. The Exit Packages note above (note 16) provides details of the number and total cost of exit packages per band and include those exit packages paid in 2013/14 and those agreed for individuals in 2013/14 but paid in 2014/15 for which an [accrual](#) was made in the 2013/14 accounts.

A further amount of £45k (£532k in 2012/13) has been set aside in a provision to pay termination costs as a result of decisions made in principle in 2013/14 but where there was some uncertainty over the individual staff or timing of the termination but for which a reasonable estimate can be made of amount of the probable obligation. This amount is netted down by costs charged against the provision in respect of 2012/13 decisions provided for at the year-end where the payment was actually made in 2013/14 of £194k, providing a net movement on the provision of -£149k.

18 Related Party Transactions

The [Chief Constable](#) is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by the Chief Constable. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable 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 Chief Constable.

18.a Police and Crime Commissioner

The Police and Crime Commissioner has direct control over the Chief Constable's finances, providing funding for all running costs. [The Commissioner](#) is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the funding agreement set by the Commissioner, to deliver the aims and objectives set out in the Police and Crime Plan.

18.b Central Government

Central government has effective control over the general operations of the Chief Constable – it is responsible for providing the statutory framework within which the Chief Constable operates and provides the majority of its funding via [the Commissioner](#).

18.c Officers and Employees

Senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Chief Constable. No material transactions have been reported in respect of the 2013/14 financial year.

18.d Other Public Bodies

The Chief Constable's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in note 11.

19 Contingent Liabilities

Insurance Claims

A number of claims are being pursued against the [Chief Constable](#), the majority of which will be contested. The Chief Constable maintains [provisions](#) to meet the costs of uninsured liabilities and legal costs and considers that there is no need to make further provision for these claims.

Redundancy Costs

In response to future reductions in government funding it will be necessary to further reduce the number of police staff. It is anticipated that the reduction will be primarily achieved through a combination of voluntary and compulsory redundancies. Redundancy costs arising from decisions made up to 31 March 2014 have been recognised in the 2013/14 Comprehensive Income and Expenditure Statement, however a number of reviews are currently ongoing which could give rise to further redundancy costs, although no firm decisions have been made as yet. It is anticipated that future redundancy costs will be met from the [earmarked reserve](#) set up for management of change costs in [the Commissioner's](#) accounts, the balance of which stood at £1,677k at 31 March 2014.

Injury pensions

A tribunal 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 ruling is that police injury benefits should no longer be reduced by entitlement to social security benefits. At this stage it is unclear if the decision will have a retrospective impact on police organisations or if the change will be implemented on a future claims basis only. In the absence of further guidance from the Home Office and Department for Work and Pensions, this matter has been treated as a contingent liability in the 2013/14 statement of accounts.

20 Trust Funds

Up to 30 September 2013, members of the Constabulary were appointed as trustees for a number of Trust Funds. From 1 October 2013, the responsibility for the funds transferred to the North West Police Benevolent Fund. The aim of the funds is to assist members and ex-members of the force by offering grants and loans to those who suffer financial hardship. Income to the funds is generated principally by contributions made by serving officers and donations made by members of the public. The funds are invested in a mixture of interest earning bank accounts and listed securities. The funds are not assets of the [Chief Constable](#) and are not included in the Balance Sheet.

Up to 30 September 2013, the funds were overseen by a Management Committee, which included representation from the Police Federation and Superintendents Association. As at 30 September 2013, 80% of the officers in the Constabulary were members of the Funds. While the funds were managed locally the accounts were prepared by the accountants Armstrong and Watson for financial years ending 31 December. As a result of the transfer, the accounting period for 2013 has been extended to an 18 month period which ended 30 June 2014. At this stage, the audit accounts are not yet available for this accounting period.

The table below shows the figures for the 12 month period ended 31 December 2012.

	Balance 01/01/12 £000s	Receipts 2012 £000s	Payments 2012 £000s	Balance 31/12/12 £000s
Cumbria Constabulary Trust Funds				
- Benevolent Fund	81	185	(16)	250
- Mutual Aid	59	78	(73)	64
- Mutual Aid Fund (Death Benefit Scheme)	94	10	(4)	100
	234	273	(93)	414

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

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011) (implementation has been deferred until 2015/16);
- IFRS 10 (amendments) Consolidated Financial Statements (May 2011);
- IFRS 11 Joint Arrangements (May 2011);
- IFRS 12 Disclosure of Interests in Other Entities (May 2011);
- IAS 27 Separate Financial Statements (as amended in May 2011);
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011) and
- IAS 1 Presentation of Financial Statements (as amended in May 2011).

In the Financial Statements for 2014/15, the effect of the changes will be assessed and where necessary, the comparative figures restated.

22 Prior Period Adjustment

A prior period adjustment has been made to the [Chief Constable's](#) 2012/13 published financial statements in relation to the following.

IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting after 1 January 2013. This means that the accounting statements for 2013/14 are presented on a revised basis and as a consequence the comparators for 2012/13 have been re-stated. There is no impact on the balance sheet however, the main changes are as follows:

Expected Return on Assets – Under IAS19, the expected return on assets is replaced with “Interest on Assets”. This is the interest on assets held at the start of the year and cashflows occurring during the year, calculated using the discount rate at the start of the year. The pension cost recognised in the CI&ES under IAS19 sees the interest cost and expected return on assets replaced with “net interest cost”. This is calculated as interest on pension liabilities (substantially the interest cost recognised previously) less the interest on assets.

Asset Disclosures - IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Chief Constable's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further (see note 11b, page 34).

Disclosure Presentation - In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Chief Constable's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see pension note 11, pages 30-36).

In addition to the above changes in respect of a change to the IAS19 accounting standard, a change to adjust a

Notes to the Accounts

rounding discrepancy on the split of the Local Government Pension Scheme between the single entity statements of the Commissioner and the Chief Constable has also been made. This change has seen the Commissioner's proportion of the LGPS scheme deficit as at 31 March 2013 reduce from £968k as reported in 2012/13 to £966k and the Chief Constable's share increase from £28,802k as reported in 2012/13 to £28,804k.

The changes made impact on the core financial statements and the disclosure notes in relation to pensions (note 11, pages 30-36). Where figures in the statements and notes have been amended, the relevant column will include the word "re-stated" in the column heading.

A summary of the changes made to the 2012/13 pension figures is shown below:

	CC Amount per Per 2012/13 Accounts £000s	CC Amount Re-stated for 2012/13 £000s	CC Change in Amount £000s
Liabilities			
Benefit Obligation at Start of Period	(87,196)	(87,196)	0
Current Service Cost	(2,973)	(3,049)	(76)
Interest on pension Liabilities	(4,498)	(4,423)	75
Member Contributions	(1,122)	(1,122)	0
Actuarial Gains & (Losses) on Liabilities	(11,918)	0	11,918
Remeasurement Gains & (Losses):			
- Arising from changes in demographic assumptions	0	(1,120)	(1,120)
- Arising from changes in financial assumptions	0	(10,798)	(10,798)
Curtailments	(175)	(175)	0
Benefits/Transfers Paid	2,058	2,058	0
Benefit Obligation at End of Period	(105,824)	(105,825)	(1)
Assets			
Fair Value at Start of Period	66,006	66,006	0
Expected Return on Plan Assets	3,612	3,416	(196)
Actuarial Gains & Losses on Assets	5,463	5,728	265
Administration Expenses	0	(70)	(70)
Employer Contributions	2,877	2,877	0
Member Contributions	1,122	1,122	0
Benefits/Transfers paid	(2,058)	(2,058)	0
Fair Value at End of Period	77,022	77,021	(1)
(Deficit)/Surplus	(28,802)	(28,804)	(2)

Notes to the Accounts

A summary of the effect of the above changes have made on each of the core financial statements is shown below:

	CC Net Exp Per 2012/13 Accounts £000s	CC Net Exp Re-stated for 2012/13 £000s	CC Change in Amount £000s
Local Policing	47,901	47,923	22
Dealing with the public	7,210	7,222	12
Criminal justice arrangements	9,027	9,038	11
Road policing	6,861	6,868	7
Specialist operations	4,059	4,060	1
Intelligence	7,119	7,122	3
Investigations	13,120	13,119	(1)
Investigative support	2,805	2,809	4
National policing	1,968	1,985	17
Corporate and democratic core	274	274	0
Non distributed costs	195	195	0
Exceptional Item - Termination Costs	1,134	1,134	0
Funding Provided by PCC to CC	(106,618)	(106,618)	0
Cost of Services	(4,945)	(4,869)	76
Net Interest on the net defined benefit liability (asset)	42,646	42,767	121
Surplus/Deficit on the Provision of Services	37,701	37,898	197
Actuarial Gains & Losses on pensions Assets	125,606	125,410	(196)
Total Comprehensive Income & Expenditure	163,307	163,308	1
	Amount per Per 2012/13 Accounts £000s	Amount Re-stated for 2012/13 £000s	Change in Amount £000s
Balance Sheet			
Chief Constable's LGPS Pension Reserve (Usable)	(28,802)	(28,804)	(2)
Total Reserves	(1,042,937)	(1,042,939)	(2)
Cash Flow Statement			
Net (Surplus)/Deficit on the provision of Services	37,701	37,898	197
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(37,701)	(37,898)	(197)
Net Cash Flows from Operating Activities	0	0	0
Movement in Reserves Statement			
CC Constabulary Fund (Usable)			
Balance 1 April 2012	0	0	0
Surplus or (deficit on the Provision of Services	(37,701)	(37,898)	(197)
Other Comprehensive Income & Expenditure	(125,605)	(125,410)	195
Transfers to other Usable Resreves	163,306	163,308	2
Net increase or decrease before transfers to earmarked reserves	0	0	0
Balance as at 31 March 2013	0	0	0
CC LGPS Pension Fund (Usable)			
Balance 1 April 2012	(21,190)	(21,190)	0
Transfers to other Usable Resreves	(7,612)	(7,614)	(2)
Net increase or decrease before transfers to earmarked reserves	(7,612)	(7,614)	(2)
Balance as at 31 March 2013	(28,802)	(28,804)	(2)

Police Officer Pension Fund Account

Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2013/14 financial year together with comparative information for 2012/13.

	Group 2012/13 £000s	Group 2013/14 £000s
Contributions Receivable		
Employer		
- Contributions at 24.2% of Pensionable Pay	(9,987)	(9,772)
Officers' Contributions		
- 1987 Scheme Member Contributions (see narrative for rates)	(4,325)	(4,467)
- 2006 Scheme Member Contributions (see narrative for rates)	(614)	(810)
	(14,926)	(15,049)
Transferees in from Other Schemes	(180)	(298)
Capital Equivalent charge for ill-health schemes	(231)	(469)
	(411)	(767)
Benefits Payable		
Recurrent Pensions	21,515	22,791
Commutations and Lump Sums	5,796	7,601
	27,311	30,392
Payments to and on Account of Leavers		
Refund of Contributions	0	9
Transfer out to other schemes	84	173
	84	182
Net Amount Payable for the Year	12,058	14,758
Additional Contribution from the Police & Crime Commissioner	(12,058)	(14,758)
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 2014.

	Group 2012/13 £000s	Group 2013/14 £000s
Current Assets		
Pensions Benefits paid in advance	1,906	2,018
Current Liabilities		
Amount due to the Police & Crime Commissioner	(1,906)	(2,018)
	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 2007 (SI 2007 No 1932). The Pensions Fund Accounts are administered by the Chief Constable and have been prepared on an accruals basis.

Operation of Police Pensions Schemes

The Chief Constable operates two Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the new scheme and the previous scheme has been closed to new members. Officers who are members of the old scheme are allowed by regulation to become members of the new (2006) scheme if they so wish. Members' contribution rates for 2013/14 were between 10.7% and 12% (10.1%-10.75% in 2012/13) for the new scheme and between 13.5% and 14% (12.25%-12.5% in 2012/13) for the old scheme. The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 19). Detailed disclosure notes regarding the Police Pension schemes can be found in note 11 to the core financial statements (pages 30-36).

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 24.2% of pensionable pay, which, along with the employee contributions and any transfer values, is paid into the pensions account. 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 as 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, 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

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 goodwill.

Budget

A statement of the Police and Chief Constable'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.

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.

DCLG

The Department for Communities and Local Government, responsible for funding elements of the Police and Crime Commissioner's specific and external grant aid.

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.

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

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

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.

LGPS

The Local Government Pension Scheme.

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.

Revenue Support Grant

A grant from the Department of Communities and Local Government (DCLG) towards the cost of Police and Crime Commissioner services.

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.

Appendix A - Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the financial transactions for the 2013/14 financial year and the financial position at the 31 March 2014. 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 2011 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 2013/14](#) (the Code) and the Service Reporting Code of Practice 2013/14 ([SERCOP](#)), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 act. The Police and Crime Commissioner is responsible for combining the single entity statements to form a set of consolidated group accounts.

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:

- 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.
- 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.
- An [accrual](#) is made in respect of employee benefits payable during employment (see accounting policy 7 below for further details).

3 Cash and Cash Equivalents

In accordance with the terms of [the Commissioner's](#) funding arrangement to 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.

4 Exceptional Items

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

5 Prior period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or 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.

Appendix A - Statement of Accounting Policies

6 Charges to Revenue for Non-Current Assets

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

7 Employee Benefits

7.1 Employee Benefits Payable during Employment

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

7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged (on an [accruals](#) basis) to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

8 Post-Employment Benefits

There are two pension schemes for police officers and a single scheme for police staff. They are all defined benefits schemes. All accounting entries in relation to the Comprehensive Income and Expenditure Statement and the subsequent liability for police officers pensions are wholly recorded in the [Chief Constable's](#) accounts. 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 on a headcount basis.

The liabilities of the pension fund is 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 [fair value](#) at current prices using a discount rate (see assumptions set out in note 11c, page 35).

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

- [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.

Appendix A - Statement of Accounting Policies

- 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 payment.

Remeasurements comprising:
 - Return on plan assets-excluding amounts included in the net interest on the net defined pension liability (asset) – charged to the pensions reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions (demographic and financial) made at the last actuarial valuation or because the actuaries have updated their assumptions –charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Note 11 to the primary financial statements provides further information about the pension schemes.

8.2 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).

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

The funding arrangements for police officers pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a ‘pay as you go’ basis with the cost charged to the revenue account. From April 2006 onwards there is an employer’s contribution rate set by the Home Office (currently 24.2% of pensionable salary), which is charged to the Comprehensive Income and Expenditure Statement.

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 52-53). 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

Appendix A - Statement of Accounting Policies

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. As [the Commissioner](#) is responsible for maintaining the police fund the receipt of Home Office pension grant and corresponding contribution to the Police Pension Fund Account are shown in the accounts of the Commissioner.

8.3 Police Staff

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

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

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

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

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

9 Events after the Balance Sheet Date

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

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

Appendix A - Statement of Accounting Policies

10 Financial Instruments - Financial Liabilities

Financial liabilities are initially measured at [fair value](#) and carried at their amortised cost. Where payable (i.e. a creditor) has a maturity of less than 12 months the fair value is taken to be the principal outstanding, or the billed / invoiced amount.

11 Financial Instruments - Financial Assets

Financial assets are initially measured at [fair value](#) and carried at their amortised cost. Where a receivable (i.e. a debtor) has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed / invoiced amount.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under 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 an adjustment made to the [debtors](#) balance as a [provision](#) for bad debt.

12 Government Grants and Contributions

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.

13 Intangible Assets

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

14 Inventories

Inventories (stocks) are included in the balance sheet at historic cost. This is a departure from IAS2 which requires inventories to be valued at the lower of cost or net realisable value. However, for many stock items, particularly uniforms, net realisable value would be minimal and would not accurately reflect the value of holding these assets.

15 Leases

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

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

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

The [Chief Constable](#) does not hold any finance leases (either as lessee or lessor) or operating leases (as lessor or lessee).

Appendix A - Statement of Accounting Policies

16 Treatment of Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the [CIPFA](#) Service Reporting Code of Practice 2013/14 ([SERCOP](#)). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Under [the Commissioner's](#) funding arrangement to the [Chief Constable](#) premises costs (except where they are directly attributable to the Chief Constable) and those for police staff supporting both the Commissioner and 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.

Under the Commissioner's funding arrangement to the Chief Constable transport and supplies and services costs (except where they are directly attributable to the Commissioner) are initially recorded in the accounts of the Chief Constable and a recharge is made to the Commissioner in the single entity comprehensive income and expenditure statements on an appropriate basis.

17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Under the terms of [the Commissioner's](#) funding arrangement to the [Chief Constable](#) all property, plant and equipment is held by the Commissioner. Accordingly, all accounting entries in relation to the acquisition, enhancement, revaluation, [impairment](#), [depreciation](#) and sale of such assets are recorded in the single entity accounts of the Commissioner. As noted in policy 6 above, the Commissioner makes a charge to the Chief Constable for the use of such assets which is equivalent to the Chief Constable's share of depreciation.

18 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.

There is currently one PFI scheme 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 Constabulary's use of the building and the services provided.

19 Heritage Assets

There are a small number of items that fall under the definition of [heritage assets](#). Due to their diverse nature

Appendix A - Statement of Accounting Policies

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.

20 Provisions, Contingent Liabilities and Contingent Assets

20.1 Provisions

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

Provisions are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best 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 10, page 29).

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.

20.2 Contingent Liabilities

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

Contingent liabilities are not recognised on the Balance Sheet but disclosed in a note to the accounts.

20.3 Contingent Assets

A contingent asset arises where an event has taken place that gives rise to a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events which cannot wholly be controlled.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21 Reserves

Under the terms of the funding arrangement between [the Commissioner](#) and the [Chief Constable](#), all usable [reserves](#) i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner. However, the Chief Constable does hold certain unusable reserves in relation to pensions and accumulated employee absences, which arise from Constabulary activities and are not covered by the funding arrangement and are shown on the Chief Constable's balance sheet.

Appendix A - Statement of Accounting Policies

22 Material Estimation Techniques

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

22.1 Pension Disclosure Note:-

Where the projected unit method of valuation has been applied and which is consistent with the required methodology in IAS 19. This is a valuation method in which the scheme liabilities make an allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the 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 2013/14 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 between 4.4% and 4.6% is appropriate.

23 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.



The Chief Constable for Cumbria Constabulary

Annual Governance Statement 2013-14

Annex B – Annual Governance Statement

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 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 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement, which must accompany the statement of accounts.

PURPOSE OF THE GOVERNANCE STATEMENT

The governance framework comprises the systems, processes, culture and values by which the Constabulary is directed and controlled and the activities through which the organisation accounts to and engages with the community. The framework enables the Chief Constable to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate efficient and effective 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 system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Chief Constable's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The findings of the review of the system of internal control are reviewed by the Audit and Standards Committee (23rd June 2014) and the Commissioner's Executive Board (24th June 2014).

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THE GOVERNANCE FRAMEWORK AND ITS EFFECTIVENESS

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 six 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 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 annual report of the Joint Audit and Standards Committee, the Chief Internal Auditor's annual report, the view of the external auditor through their annual governance statement and other review inspectorates. As part of the review process, the annual governance statement is prepared, setting out how the Chief Constable has complied with The Code over the previous financial year and to the date that the statement of accounts are published.

The Joint Audit and Standards Committee, has specific responsibility for providing an independent assurance function in respect of the arrangements for governance including risk management. The work of the Audit and Standards Committee over the period of the Governance Statement contributes to the review process by providing evidence in support of the effectiveness of arrangements.

Six Core Principles of Governance

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

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The Joint Audit and Standards Committee will also receive and scrutinise the report of the Chief Finance Officer reviewing the effectiveness of internal audit and the Annual Governance Statement. An annual report of the work of the Committee is produced and submitted to the Executive Board and the Police and Crime Panel. The report assesses the effectiveness of the Committee against Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and as a contribution to the effectiveness of overall governance arrangements.

Internal audit perform a range of reviews based on an agreed audit plan. The plan has regard to risks and recognises that key financial systems and other areas of wider business risk need to be reviewed on a cyclical basis to provide assurance with regard to internal controls and systems of governance. The work of internal audit contributes to the review of the effectiveness of governance by identifying the effectiveness of internal controls and providing an overall opinion annually on the control environment. The internal audit report for 2013-14 concludes that the internal controls have operated satisfactorily in 2013-14.

The effectiveness of the internal audit function is assessed annually against Public Sector Internal Audit Standards and the Internal Audit Charter, to support a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control.

The following paragraphs detail how the Chief Constable's has complied with the governance framework, set out within the Code to meet of each of the six governance principles. Each section of the statement includes a commentary on areas for development and improvement as part of the review process. These are collated into an action plan at the end of the statement. This AGS includes an update on the implementation of planned actions from 2012-13 and how these were addressed, as shown in the 2013-14 governance development and improvement plan.

The Governance Statement is submitted for examination by the Chief Constable's Internal Auditors, who will report to the Commissioner's Executive Board and the Joint Audit and Standards Committee. The Chief Constable will approve any changes to the Code of Corporate Governance and framework on an annual basis as part of the review of governance. The Code of Corporate Governance is appended to this statement.

Bernard Lawson
Temporary Chief Constable

Roger Marshall
Chief Finance Officer

Signatures have been removed for the purposes of publication on the website.

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Core principle 1: Focusing on the purpose of the Chief Constable and on outcomes for the community, and creating and implementing a vision for the local area

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Chief Constable determined the strategic direction for the Constabulary that 'Community Policing is Our Priority'. Following public consultation, 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 organisations' strategic risks, the following objectives were identified as key in reducing 'threat, risk and harm' and tackling our communities' concerns :

- Reduce the harm caused by domestic abuse, sexual assault and child exploitation, encouraging people to report to the police
- Respond to vulnerable adults and children who go missing from home
- Deal with alcohol related crime and antisocial behaviour in our communities
- Tackle drug supply across the county
- Keep crime at the current low levels, especially burglary, theft and violent crime
- Deal with antisocial behaviour in our communities

The Commissioner approved these key objectives and incorporated them into his Policing Plan to complement his aims.

The Constabulary worked with the OPCC to develop the performance framework. This set of measures and targets supports delivery of the Policing 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 two months at the public Executive Board.

The Constabulary reviewed performance for all crime types, antisocial behaviour, road collisions, user satisfaction and productivity every month throughout the year to identify exceptions to expected performance and took corrective action to address the root causes. The statistical analysis and evaluation of performance is carried out according to Home Office standards. An example of corrective action taken during 2013/14 was the significant increase in thefts during first quarter of 2013/14. The analysis showed that one of the main causes was an increase in shoplifting and where it was occurring. Operational staff consulted with the retail trade and used operational tactics to reduce the number of incidents.

During 2013-14, performance management has been embedded within the Constabulary through use of:

- Monthly briefings from Corporate Improvement to the ACC and DCC and to Operations Board; these included detailed root cause analysis and recommended actions to take
- Performance discussions at all operational Senior Management Team meetings as a standard agenda item
- Holding corporate Performance Development Conferences each quarter to discuss strategic performance issues and determine improvement actions, such as – violent crime, sickness and data quality.

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- Further development of the sophisticated and comprehensive Performance Dashboard for crimes and incidents, user satisfaction, productivity and diversity measures which can be accessed by everyone
- Publication of daily performance figures for all officers and staff to use to monitor and manage delivery of operational activity
- Development and implementation of an individual Officer Performance Dashboard. This enables sergeants to quickly view their officers' workload and forms the basis of regular one to one performance meetings, improving supervision and productivity

The Constabulary performs well and has achieved a significant reduction in both crime and anti-social behaviour since 2009/2010 (falling by 13.8% and 35.8% respectively) and user satisfaction levels are consistently high. Although levels of recorded crime rose by 4.8% in 2013-14, this represents an increase of only 3 crimes per day as Cumbria has the 2nd lowest crime rate of all forces in England & Wales. The increase in crime in 2013-14 is partly attributed to better reporting of domestic violence and sexual offences etc.

Thematic reports for specific areas have also been published and discussed at the public Executive Board; examples include: progress on reducing adult re-offending, annual strategic assessment for equality and diversity, including actions taken to address minority issues crime and force performance on stop/search.

During 2013-14 the Constabulary submitted a formal budget proposal for 2014-15 to the Commissioner as part of a medium term financial forecast (MTFF) covering the four year period to 2017-18. The MTFF was based on planning assumptions consistent with those used by the Commissioner's Chief Financial Officer and incorporated

latest information on government funding levels for 2014-15 and 2015-16.

The MTFF shows, that despite planned Change Programme savings plans totalling £5.9m over the next four years, a budget deficit emerges from 2016-17 onwards amounting to £4.5m by 2017-18. Future business planning has also been based on the assumption that the Constabulary is likely to face continued funding pressures until at least 2020-21, as a result of Government austerity measures.

The Chief Constable, whilst continuing to examine all opportunities to reduce support department and non-staffing costs, has recognised that future savings are likely to require reductions in officer and PCSO numbers. Accordingly a number of strategic themes have been identified which help maintain performance whilst delivering a sustainable future including :-

- Understanding Demand
- Developing Leadership and Skills
- Maximising Assets (including staff)

The themes form the basis for a number of more detailed reviews which will be progressed in 2014-15. These work-streams will be managed through the Constabulary's Change Programme.

During 2013-14 the Constabulary also developed a detailed business plan which aims to make more pro-active use of reserves. The plan proposes investment in technology and training with the aim of increasing the productivity of officers and staff, which will make the organisation sustainable with a smaller workforce. The business plan will also seek to address the longer term sustainability of the Constabulary's capital resource requirement.

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The initial business plan was submitted to the Commissioner's Executive Board in June 2013. The Commissioner has earmarked resources from within the commissioned services budget to fund the plan and has released funding to allow more detailed business cases to be developed.

The business plan has also incorporated revised Estates and Fleet Strategies which were agreed by the Chief Officer Group and Commissioner's Executive Board in February 2014 and incorporated into the capital strategy agreed in February 2014. The fleet strategy was formulated by a new Strategic Vehicle Group, which includes both fleet specialists and operational representation, whose role is to determine and manage the force's fleet requirements. The fleet strategy includes investment in a single vehicle platform which will deliver operational efficiencies and economies of scale.

In response to difficulties in the recruitment of officers in the early part of 2013-14, which gave rise to a revenue budget underspend in 2013-14 the Constabulary has placed considerable emphasis on developing its workforce planning processes through the year. A detailed workforce plan covering the period of the MTFP to 2017-18 is now in place for officers, staff and PCSOs. The workforce plan is subject to scrutiny at both strategic and tactical levels on a monthly basis and is aligned to the financial planning and monitoring process.

Since 2011-12 the Constabulary's Change Programme has played a critical role in delivering savings required to balance the Constabulary's budget in the context of reductions in Government funding. During 2013-14 the Change Programme:-

- Delivered a saving of £2.1 million from the revenue budget that was planned for 2013 – 14
- Further reduced the number of senior directors to reduce management costs
- Improved the efficiency and effectiveness of the custody function. The programme implemented a centrally managed custody function, and changed management ratios and shift patterns to ensure that resources align with demand
- Delivered significant changes to the Crime Command which aligned the detective workforce to demand by standardising the structures and staffing across the CID functions and implemented a new shift pattern
- Streamlined or removed activity across the county to make the investigation process more efficient
- Realigned the intelligence analytical function to better deal with threat and risk
- Reduced the manual inputting requirement for intelligence processing
- Centralised the administration of the Public Protection Units and co-located the function with Social Services to improve services to vulnerable children
- Reconfigured specialist resources to ensure that service provision meets the realistic levels of threat, harm and risk which exist within Cumbria
- Uniformed Operational Support was restructured to support community policing by changing its operating practices and the shift pattern to align resources to demand
- Both the Crime and Operational Support reviews freed up police officer posts to deliver community policing
- Evaluated the Administration Review and the effectiveness of the transactional processes, making further recommendations to make efficiencies
- Reviewed and implemented changes to the procurement function to provide a better service so that the Constabulary can make further savings

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- Reviewed the Occupational Health function to improve resilience within the function so that it can support the Constabulary in improving productivity

In addition, the Communications Centre has been moved to a single site at Police HQ so that improvements to call handling can be delivered for the public and further efficiencies delivered.

The Constabulary has carried out Customer Journey Mapping, which involved interviewing individual service users and organisations representing specific groups about their actual experience of using police services. Recommendations were approved by senior operational staff and have led to the development of the Quality of Service Action Plan to improve services for all users, including diverse groups.

During 2013-14 the Constabulary has been inspected by HMIC and received reports on valuing the police, child sexual exploitation and domestic abuse. The reports have identified that

- Cumbria has made good progress in delivering savings and providing value for money
- A small number of areas for improvement have been identified from the other inspections and action plans have been developed.

Significant progress has also been made on the Constabulary's Continuous Improvement, Efficiency and Value for Money Strategy. The Constabulary has used HMIC Value for Money profiles and Police Objective Analysis to inform its Change Programme and applied zero based budgeting to secure maximum value from the resources available.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

During 2014-15 the Constabulary will :-

Evaluate the effectiveness of its revised governance arrangements including the board structure, making recommendations for improvement where appropriate.

Review the Constabulary's monthly performance management reports, improving the information provided to chief officers and senior managers so that it adds more value and better informs decision making.

Develop strategic resource management performance data to drive improvements in our use of resources and our productivity.

Review the Constabulary's Performance Development Conferences to inform, explore and discuss root causes of performance issues (good and bad) and drive action to deliver improvements in services to the public.

Further develop its Quality of Service Strategy to support operational policing, to improve service delivery and user satisfaction. This will include development of an overarching action plan to co-ordinate all related actions from internal and external reviews.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The key functions and roles of the Chief Constable and the Police and Crime Commissioner are set out in the Police Reform and Social Responsibility Act 2011 (PRSA) 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. The PRSA and the PPO also set out the function and roles of statutory officers, namely the Chief Constable's Chief Financial Officer.

During 2013-14, the Constabulary reviewed its governance arrangements and recommended a strategic governance framework and board structure that enables the Constabulary to deliver all of its objectives. Each board has clearly defined purpose, principles and identified responsibilities. The structure was developed to ensure:

- Working together to manage the major strands of work effectively, with interdependencies and conflicts being identified and resolved, risks managed and ensuring that benefits are delivered
- Clarity about what decisions are made by each governance board, and what needs to be escalated or devolved
- Clarity about what decisions are made by each level of senior management
- That the schedule of meetings supports the governance framework and are compatible with OPCC and PCP meeting schedules.

The review also delivered a strategy for effective communications of decisions and information so that

practitioners have the material and authority they require to deliver on behalf of senior managers.

Task and Finish Groups have been set up when required to ensure that the Constabulary has the capacity to deliver specific major pieces of work. For example the Command and Control Steering Group was established to manage the merging of the Communication Centres onto one site - the approach ensured that the right people from the diverse functions were involved and the activity appropriately coordinated.

During 2013-14 the Constabulary has also reviewed its key governance documents consisting of

- Procurement Regulations
- Financial Regulations
- Anti-Fraud & Corruption Policy
- Code of Corporate Governance

Where appropriate joint for documents have been developed alongside the Office of the Police and Crime Commissioner covering both organisations, examples of this include the Procurement and Financial Regulations. In revising the governance framework the effects of the stage 2 transfer of police staff to the Chief Constable, other action plans and external guidance and the practical experience of the first year of operating within the Police and Crime Commissioner framework have been incorporated.

The Joint Audit and Standards Committee scrutinised the governance documents and were able to provide feedback prior to their approval.

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The Chief Constable also produced a draft Scheme of Delegation setting out the responsibilities and decision making authorities of officers and staff of the Constabulary acting on his behalf. This document is still being developed and will be formally completed in 2014-15.

During 2013-14 the Chief Constable's Director of Legal Services provided legal advice to the Chief Constable. As a member of the Chief Officer Group the Director of legal Services was also able to advise on the legality of all strategic decisions.

During 2013-14 the Chief Constable's Chief Finance Officer complied with the responsibilities for proper management of the Chief Constable's financial affairs as set out in guidance on the role of the Chief Finance Officer issued by CIPFA in 2010 and subsequently revised in 2012 to reflect the specific responsibilities in relation to Chief Constables.

To support working together, the Chief Officers, senior directors and Chief Finance Officer delivered roads shows across the county to officers and staff. The presentations described the Chief Constable's vision and strategic objectives, their rationale and how they would be achieved. The impact for officers on the frontline was also explained and opportunities for questions and answers provided and taken up. The approach was supported by a range of communications across the force.

The Constabulary has worked closely with the OPCC through formal mechanisms (such as Executive Board meetings, Accountability Board meetings) and informally through one to one meetings with senior staff from both organisations. For example, the Constabulary and OPCC media staff meet every week to review each other's forward plan for communications, engagement and marketing to maximise opportunities, reduce duplication

and provide clarity for the media and the public based on our agreed protocol.

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 of multi-agency partnership working include

- Acting as operational chair for the Local Resilience Forum (a multiagency group which plans for and manages major incidents in the county that require a coordinated response to keep people safe) and leads on its media and communications.
- Chairing the county's CRASH partnership, which has been established to improve road safety across the county.
- Chairing the Safer Cumbria Action Board
- Active participation in the Local Safeguarding Board and the Safeguarding Improvement Board, which deal with child protection issues.
- Working in Community Safety Partnerships
- Countering alcohol harm through the Constabulary's own strategy and as part of the Cumbria Alcohol Steering Group.
- Combating anti-social behaviour in partnership with various local authorities and housing associations.

With regard to human resources, during 2013-14, the Constabulary successfully negotiated with Unison to change Police Staff terms and conditions, which provided greater flexibility for the organisation to meet its business needs. The revised conditions included changes to overtime arrangements, job evaluation, pay protection, flexible contracts /locations and flexible working hours.

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The Constabulary has also given consideration to and introduced those aspects of the Winsor Report, Parts 1 and 2 on Police Officer terms and conditions of employment for implementation. These include new arrangements for the delegation of authority to approve short notice work on public holidays; the determination of new pay scales and assimilation for new entrant police officers; the abolition of competency related threshold payments (CRTP) and introducing a higher level of on call payment for Federated Ranks.

The Constabulary has not taken up the option of introducing a Voluntary Exit Scheme for Police Officers. No further action has been taken to introduce direct entry to Superintendent ranks as neither feature has been thought necessary to aid workforce planning at the Constabulary.

During 2013-14 the South Wales police investigation into the conduct of the Temporary Chief Constable was concluded. Following the receipt of the report, the Commissioner was initially responsible for managing the process and his actions in this respect are detailed in the Commissioner's Annual Governance Statement.

Mr Hyde's appointment as Temporary Chief Constable came to an end on 30th August 2013, at which point he reverted back to his substantive rank of Deputy Chief Constable and therefore came under the responsibility of the Office of the Chief Constable.

The Chief Constable very carefully considered the findings of the independent Executive Summary released by the Commissioner. The Chief Constable concluded that whilst Mr Hyde's behaviour had fallen short of what the police service and the public should demand from a senior public servant, he believed that in his role as Deputy Chief Constable, Mr Hyde should return to work, albeit under a detailed plan to ensure lessons were learnt from what has been identified during the investigation.

On 9th September 2013 Mr Hyde commenced a managed return to the Constabulary having received management advice. On his return he conducted a strategic review of ICT developments.

Mr Hyde retired from Cumbria Constabulary on 31st December 2013.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

The Constabulary will update outstanding governance documents including its financial rules, budget and asset protocols and the Chief Constable's Scheme of Delegation.

The Constabulary will undertake further development of business plans for non-operational policing functions to ensure that activity is directed to supporting delivery of policing services.

The Constabulary will develop schemes to carry out fitness testing of officers and to review the contribution of police officers on restricted duties to front line policing in line with the recommendations of the Winsor Review.

The Constabulary's current scheme of PDR has been suspended for 2014-15 with a view to incorporating Winsor changes and streamlining the process. A new scheme is anticipated to be designed and in place for 2015-16. The Constabulary is also developing a more streamlined assessment process for incremental progression for police officers linked to satisfactory performance in the PDR.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Constabulary takes a pro-active approach to strengthening its arrangements for ensuring the highest standards of integrity in all elements of its business. During 2013-14 the Chief Constable held corporate planning events attended by senior managers within the Constabulary on the subject of ethics and values. This resulted in the development of a Corporate Values Statement, which has been communicated to all officers and staff.

The adoption and implementation of the ACPO Integrity Action Plan, and Integrity Model, which arose from the HMIC 'Without Fear or Favour' inspections of all forces in 2011 and 2012, is central to the Constabulary's actions to improve its integrity arrangements. The core themes of the action plan are the:-

- Handling of media relations and information.
- Providing greater guidance and clarity regarding the acceptance of gifts and hospitality, business conduct in relation to procurement and secondary business interests.
- The identification, monitoring and management of integrity issues.

The action plan was largely implemented in 2013-14.

In addition, during 2013-14, a separate action plan which, covered similar issues, was produced in response to the South Wales Police enquiry into the conduct of the former

Temporary Chief Constable. Again this action plan was principally completed in 2013-14. Progress on implementing the recommendations of the South Wales report was subject to scrutiny by the Joint Audit and Standards Committee.

A subsequent internal audit report on integrity within the Constabulary concluded that arrangements were satisfactory and highlighted 'many examples of good practice, such as improved clarity around the acceptance of gifts and hospitality and, updating of policies'. A small number of recommendations for further improvement, including the establishment of a routine mechanism for cross checking procurement records with registers of business interests / secondary employment were made.

During 2013-14 the Constabulary's Anti-Fraud and Corruption Policy and Procedures have been updated and subject to scrutiny and challenge by the Joint Audit and Standards Committee prior to being formally approved. The revised arrangements, on recommendation from the Committee have included greater focus on raising awareness of whistle-blowing arrangements for staff. In support of the 2013-14 financial statements the Chief Constable has also submitted to the External Auditor a fraud risk assessment providing further assurance to protect against fraud and corruption.

Procedures for the use of corporate credit cards have been substantially revised to provide more robust guidance and re-enforce the limited circumstances under which they will be authorised for use. The procedures have been reviewed by the Joint Audit and Standards Committee and amended

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to take on board members recommendations prior to being issued to relevant staff.

The role of 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 October 2013.

During 2013-14 the Professional Standards Department Anti-Corruption Unit have reported regularly to the Commissioner in relation to its work.

The Professional Standards Department have issued five PASS newsletters during the 2013-14 year to officers and staff in relation to issues of conduct and integrity. The newsletters have provided guidance on generic responsibilities such as use of force systems, use of the internet and e-mails and associations which could pose a vulnerability. Newsletters have also highlighted specific examples of misconduct which have led to disciplinary action. This is 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.

The Professional Standards Department also oversees all complaints against the Constabulary. Complaints and the results of subsequent investigations are reported periodically to the Police and Crime Commissioner. Whilst the number of complaints increased in 2013-14, both the level of complaints, expressed per officer and the percentage of those complaints upheld remains well below the national average. Where trends in upheld complaints identify specific issues PASS newsletters are issued by Professional Standards providing additional guidance to officers and staff, for example guidance on procedures for Voluntary Searches was issued in 2013-14

AREAS FOR FURTHER DEVELOPMENT

During 2014-15 the Constabulary will communicate and embed the National College of Policing Code of Ethics which has recently been issued. The Code of Ethics will also be incorporated into individual and organisational performance meetings and the policy development and review process.

The Constabulary will consider the benefits of establishing Ethics and Integrity Regulation and Management Committees to strengthen its governance arrangements over the next year.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Chief Officer Group have made a significant number of strategic decisions over the past 12 months across operational and business functions - ranging from approving the digital and mobile strategy, identifying the right IT systems and approving the business plans that support delivery of police services for the public. All of these decisions have been informed by business cases or reports, which clearly specify the impacts on finance, HR, risk, diversity, legal, procurement and ICT and which also clearly justify any expenditure made. All professional expertise is represented at the governance boards. All decisions have been minuted and part 1 decisions made available on SharePoint.

The Commissioner has a statutory duty and electoral mandate to hold the police to account and to maintain an efficient and effective police force. In this role, he has scrutinised decisions made by the Constabulary throughout the year.

Every month, senior police officers carry out a full and robust assessment of operational risk, harm and threat to communities. These are discussed at monthly Tasking & Coordination meetings. This process systematically reviews vulnerable people, repeat offenders, vulnerable missing from home, significant domestic abuse, prison issues, organised crime groups and threats to life. Action has been taken and resources tasked to deal with the operational issues raised.

Every day, officers in each Territorial Policing Areas have held a Daily Management Meeting which identifies the

crimes, incidents that have occurred over the previous 24 hours and any vulnerable or high profile incident (such as a vulnerable missing child or known domestic abuser). Senior officers have allocated their resources based on this evidence and effective management of threat harm and risk.

The Joint Audit and Standards Committee has conducted 5 public meetings during the course of the year. As an advisory body, the Committee has undertaken a significant amount of work to review and make recommendations in respect of the Chief Constable's arrangements for governance and management of risk. This has included a special meeting of the Committee in February to consider the revised stage 2 governance framework, prior to its adoption by the Chief Constable. The Commissioner and the Chief Constable met jointly with the Committee in September in order to receive the views of members prior to authorising the statement of accounts and 2013 Governance Statements for publication.

Risk management is a standing agenda item on all boards, including programme and project management boards. Mitigating actions have been identified and tracked to ensure that risks are minimised.

The Constabulary commissioned an audit of the risk management arrangements using the organisation's insurer (Gallagher Bassett). The results were satisfactory, with some recommendations being made about determining the Constabulary's risk appetite, improved tracking risks and how risks are categorised. An Action plan has been developed.

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An annually developed internal audit plan uses risk as the basis of developing an audit programme to assess the sufficiency of internal controls and their operational effectiveness. During 2013/14 internal audit have undertaken a substantial review of their approach to audit and risk in line with the new Public Sector Internal Audit Standards (PSIAS) that came into effect on April 1st 2013. The review has been supported by an external assessment by Grant Thornton with the outcome presented to the Audit and Standards Committee on March 31 2014.

The impact of that review has been the development of a risk based audit planning process that has a significantly wider focus across the business than has previously been the case. The risk based focus recognises that the most significant areas of business risk can be within non-financial systems and processes.

In relation to audits conducted in 2013-14, a total of seventeen audits were completed, of which 82%, including all financial audits were graded as either good or satisfactory. Where internal audit recommendations have been made a robust action plan is put place in response.

The audit plan for 2014-15 developed using this approach has been subject to review by members of the Joint Audit and Standards Committee prior to being signed off by the Commissioner and Chief Constable. Significantly the plan includes audit work covering:

- The adequacy and effectiveness of arrangements for data quality, call handling and dispatch within the new centralised communication centre

- Audit work to provide assurances with regard to the adequacy and effectiveness of custody arrangements to minimise the risk of death in custody
- Audits of the arrangements for policy development and absence management
- Risk based cyclical audits of the financial systems based on a three year audit interval

Work during 2013-14 as part of this review has also resulted in the re-design of audit reports to improve the quality and accessibility of audit judgements. The reports include a specific section on risk exposure.

AREAS FOR FURTHER DEVELOPMENT

The Constabulary will continue to develop and improve its risk management processes. In 2014-15 the recommendations of the independent review by the Constabulary's insurers in relation to risk categorisation and consideration of risk appetite will be implemented.

The Constabulary's internal website will continue to be developed in particular to improve the access and search capability which will make it easier for officers and staff to access the information they need.

Decisions of Constabulary boards will be published on the intranet to improve communication and understanding of officers and staff of the objectives we are trying to achieve.

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Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2013-14 the Constabulary received guidance from the Association of Chief Police Officers, which provided information on best practice in relation to a wide range of operational policing areas.

The Constabulary's annual training plan was developed in early 2013-14 in conjunction with Operational Leadership Teams. In developing the plan there was particular focus on ensuring that officers involved in the review of Operational Support were equipped with the requisite skills to perform the dual roads policing and firearms role, which is now required of them. Additional resources were also directed to the probationer training to support the enhanced level of officer recruitment during the year.

The training plan was delivered for the first time through a strategic training collaboration with Lancashire Police. The collaboration is managed by a shared learning & development management team with oversight from a joint Governance Board which has representation from the Chief Officer teams of both forces. The Board met on three occasions over the year to scrutinise delivery of the plan.

The collaboration has delivered benefits through :-

- Increased capacity to deliver training, which has been particularly beneficial to accommodate the increased level of recruitment in 2013-14.
- Reduced costs.
- Harmonisation of course content based on best practice across the forces.

During the year there has been particular focus on ensuring that command accreditation is in place in compliance with the National Policing Requirement. This ensures that senior

officers are trained, evaluated and accredited to national standards to allow them to deal with public order, firearms and the handling of major and critical incidents.

A number of officers and staff have also attended the College of Policing Leadership Programme over the last year to develop their leadership skills within the policing environment.

For 2013-14 external training budgets have been devolved to local managers to encourage greater ownership and accountability for the allocation and management of training resources.

For police staff additional training resources have been directed towards developing specific ICT and media skills in line with business priorities. The Finance Department was been re-structured to include an Assistant CFO post along with a training plan, to address challenges with regard to capacity within the function which was supported by the members of the Joint Audit & Standards Committee.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. The overall conclusions from that review are that the Audit and Standards Committee is extremely effective in its operation. The review has demonstrated that within the areas of the CIPFA self-assessment the Committee can evidence substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as being evidence of effectiveness.

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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. In areas where the Committee has not achieved a grade 5 there are plans to improve and develop the arrangements within the Committee's 2014-15 work programme. 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>.

AREAS FOR FURTHER DEVELOPMENT

The core skills and leadership programme which forms part of the Constabulary's business plan will continue to be developed and implemented in 2014-15. This programme will focus on developing the appropriate operational and technical skills needed by officers and staff at all levels together with an improved focus on developing leaders at all levels within the organisation.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Constabulary has a Community Engagement and Involvement Strategy, which is reported via the Joint Operational Senior Management Meeting. This includes a consultation action plan, which co-ordinates all on-going consultation activities and is regularly reviewed and refreshed on an annual basis to continually improve consultation arrangements. .

During the year, the Constabulary consulted with the public to find out their priorities, how safe they felt and what services they valued. These informed the development of the Constabulary's objectives for 2014-15.

The Constabulary commissions an external company to survey victims of crime and antisocial behaviour by telephone and has used the feedback to improve the services it provides. Where issues are raised a fast track service recovery process has been developed to ensure that they are responded to quickly.

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 36,000 followers. Online discussion forums have been introduced to supplement community meetings, surveys and other public engagements to identify priorities, concerns and

areas for improvement. An example of this relates to specialist cybercrime advice to counter child exploitation.

The Strategic Independent Advisory Group has met regularly to discuss emerging issues of strategy and policy both nationally and locally. An annual report on Diversity and Equality setting out how objectives had been achieved was provide to the Commissioner and published on the website. Equality information is published every quarter on the Constabulary's website.

Throughout the year, Neighbourhood Policing Teams (NPTs) have engaged with the public through a variety of means which helps to reduce crime by encouraging respect for the law and fostering social responsibility and to determine local priorities.

The Constabulary has Community Engagement Plans written by each of the 10 NPTs. The plans detail how officers within the NPTs will engage with their community, and is specifically grouped around; Town and Parish Councils, local residents, businesses, schools and young people; and members of the community with Protected Characteristics (Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion and Belief and Sexual orientation).

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The table below show the estimated hours spent engaging by NPTS across the county:

	Hours	%
Town / Parish Council Meetings	1,709	59
Local Residents (Surgeries & Drop Ins)	865	30
Businesses	220	7
Schools and Youth Clubs	68	3
Protected Characteristics	28	1
Total	2,890	100

Every month, local crime data has been published at community level on the Constabulary's website and via police.co.uk to increase the transparency of performance and crime data.

The Constabulary has responded to 805 freedom of Information requests in 2013 - 14.

The Chief Constable's first set of audited accounts were signed on 23 September 2013 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 commissioner as at 31 March 2013 and that they have been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting. The auditors further confirmed in their annual governance report on 23 September 2013 a positive conclusion with regards to securing value for money.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

The Constabulary will continue to develop its internet site to enhance accessibility and relevance to the public and media.

The Constabulary will develop its Engagement Strategy to improve trust and confidence in policing services and to identify policing priorities which need to be addressed in their local area. This will include provision of police desks across the county.

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REPORT ON THE 2013 – 14 GOVERNANCE DEVELOPMENT AND IMPROVEMENT PLAN

Area of Governance	Ref	Action	Lead Officer	Implementation by
Core Principle 1: Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.	4.12	Review governance arrangements in the light of changes to the Police & Crime Plan and the Strategic Work Programme. The governance framework was reviewed, streamlined and improved to ensure effective delivery of significant change while maintaining operational and business performance to deliver police services for the public. The review ensured that interdependencies are identified and coordinated and that risk is managed effectively. In addition, the review identified improved transparency of decisions made across the whole Constabulary and improved communications to practitioners so that they can deliver what is required. The revised governance framework was effective from 1 April 2014.	Deputy Chief Constable	Complete
	4.13	Review all governance documents and amend for the implications of stage 2 transfers. The Constabulary's Governance framework was reviewed in the context of stage 2 transfers and presented to the Joint Audit and Standards Committee for comments prior to adoption. The financial and procurement regulations are joint with the OPCC. Work is on-going in relation to the Chief Constable's Scheme of Delegation and the financial rules.	Deputy Chief Constable	Principal documents complete. Work is on-going on more detailed documents.
	4.14	Review and amend the funding agreement between the Commissioner and Constabulary to reflect financial implications of stage 2 transfers. The revised funding agreement was produced and signed off by the Chief Officer Group subject to clarification of a small number of minor points.	Deputy Chief Constable	Complete
	4.15	Publish an Annual Report for the Constabulary. The Annual Report was written and approved by Chief officer Group and is available on request.	Director of Corporate Improvement	Complete
	4.16	Create and Develop implement an Individual Officer Performance Dashboard An individual Officer Performance Dashboard was developed further during 2013 - 14. This has allowed sergeants to quickly view their officers' workload and forms the basis of regular one to one performance meetings, improving supervision and productivity. The dashboard will be further developed in 2014-15 and the process of regular performance monitoring embedded.	Director of Corporate Improvement	Complete
	4.17	Introduce Customer Journey Mapping Customer Journey Mapping was undertaken to improve the quality of service provided to all users and particularly diverse groups. This involved interviewing individual service users and organisations representing specific groups about their actual experience of using police services. This was fed back to senior management to inform improvements in services and is the basis of our Quality of Service Action Plan.	Director of Corporate Improvement	Complete
Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.	5.13	Review all governance documents and develop the Constabulary's own documents where required. The Constabulary's Governance framework was reviewed in the context of stage 2 transfers and presented to the Joint Audit and Standards Committee for comments prior to adoption. The financial and procurement regulations are joint with the OPCC. Work is on-going in relation to the Chief Constable's Scheme of Delegation and the financial rules.	Deputy Chief Constable	Principal documents complete. Work is on-going on more detailed documents.
Core Principle 3: Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	6.9	Audit Committee Review of effectiveness. The CFO has undertaken an evaluation of the effectiveness of the Joint Audit and Standards Committee in line with CIPFA guidance.	Chief Finance Officer / Audit Committee Chair	Complete
	6.1	Joint action plan in relation to recommendations arising from the independent investigation into the conduct of Temporary Chief Constable Mr Hyde	PCC / Chief Constable	

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Area of Governance	Ref	Action	Lead Officer	Implementation by
Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.	7.1	Review risk management strategy. The risk management strategy was revised to align with the new Constabulary structure. In the last quarter of 2013 – 14, the Constabulary's insurers were invited to review the Constabulary's risk management arrangements. The recommendations included improvements about categorisation and managing risk appetite and these will be implemented during 2014 – 15.	Director of Corporate Improvement	Complete
	7.11	Review of Policies and Procedures. Where it is available, the Constabulary has adopted ACPO Authorised Professional Practice, which provides national standards for policy and procedure. During 2013 – 14, a comprehensive risk assessment of all policies and their procedures has been undertaken, resulting in a streamlined policy framework and a prioritised action plan to update retained policies. Quarterly reports are provided to the main boards to identify progress and agree future actions. The approach improves standards and decision making and will reduce risk.	Director of Corporate Improvement	Initial Review Complete Activity On-going.
Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.	8.9	Design and Implement a Core Skills and Leadership Programme. Work has commenced on designing a Core Skills and Leadership Programme as part of the Constabulary Business Plan. The timescale for delivery of the programme has been slightly extended to synchronise with ICT developments.	Director of Corporate Support & Head of Learning & Development.	30-Sep-15
Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.	9.11	Develop an Internet Strategy Stage 1 completed. The Constabulary's website has been developed to enhance accessibility and relevance to the public and media, including expansion into mobile phone networks, on line web chats for access to expert practitioners and, use of Twitter Alarm to support information for the public during critical or major incidents	Director of Corporate Improvement	Stage 1 complete Further Work on-going.
	9.12	Publish an Annual Report for the Constabulary. The Annual Report was written and approved by Chief officer Group and is available on request.	Director of Corporate Improvement	Complete

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DEVELOPMENT AND IMPROVEMENT PLAN FOR 2014 - 15

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 1: Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.	The Constabulary will evaluate the effectiveness of the revised governance framework and board structure, making recommendations to improve where appropriate	Director of Corporate Improvement	30-Sep-14
	The Constabulary will develop further its Quality of Service Strategy to support operational police service to improve delivery and user satisfaction. This will include an action plan to coordinate all related actions from internal and external reviews.	Director of Corporate Improvement	30-Sep-14
	Review the Constabulary's monthly performance management reports, improving the information provided to chief officers and senior managers so that it adds more value and better informs decision making.	Director of Corporate Improvement	30-Sep-14
	Review the Constabulary's Performance Development Conferences to inform, explore and discuss root causes of performance issues (good and bad) and drive action to deliver improvements in services to the public.	Director of Corporate Improvement	30-Sep-14
	Develop strategic resource management performance data to drive improvements in our resources and our productivity	Director of Corporate Improvement	30-Sep-14
Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.	Winsor Review - The Constabulary is currently developing schemes to carry out fitness testing and to review the contribution of police officers on restricted duties to front line policing in line with Winsor recommendations. These are anticipated to be in place by September 2014. The Constabulary is also developing a more streamlined assessment process for incremental progression linked to satisfactory performance within PDR.	Head of Human Resources	30-Sep-14
	PDR – The current Scheme has been suspended for 2014/15 with a view to incorporating Winsor changes and streamlining the processes involved. A new Scheme is anticipated for use in 2015/16. The Constabulary is also developing a more streamlined assessment process for incremental progression for police officers linked to satisfactory performance within PDR.	Head of Human Resources	31-Dec-14
	The Constabulary will update outstanding governance documents including the financial rules and the Chief Constable's Scheme of Delegation.	CFO & Director of Legal Services	30-Sep-14
	Further development of business plans for non-operational functions to ensure activity is directed to supporting delivery of policing services	All Directors and CFO	31-Mar-15
Core Principle 3: Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	The Constabulary will communicate and embed the National College of Policing Code of Ethics and incorporate this in the performance monitoring process.	Chief Constable and Head of PSD	30-Sep-14
	The Constabulary will consider the benefits of establishing Ethics and Integrity Regulation and Management Committees.	PCC / Chief Constable	31-Dec-15
Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.	In the last quarter of 2013 – 14, the Constabulary's insurers were invited to review the Constabulary's risk management arrangements. The recommendations included improvements about categorisation and managing risk appetite and these will be implemented during 2014 – 15.	Director of Corporate Improvement	31-Mar-15
	As part of the improvement to the Constabulary's internal website, the access and search capability of the policy library on the intranet will be modernised and updated to ensure that it is easier for officers and staff to access the right information	Director of Corporate Improvement	31-Mar-15
	The decisions made by Constabulary boards will be available on the intranet to improve communication and understanding for all officers and staff to support achievement of objectives.	Director of Corporate Improvement	31-Mar-15
Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.	Design and Implement a Core Skills and Leadership Programme.	Director of Corporate Support & Head of Learning & Development.	31-Mar-15
Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.	The Constabulary will develop its strategy to improve its internet site further, to enhance accessibility and relevance to the public and media.	Director of Corporate Improvement	31-Mar-15
	The Constabulary will develop its Engagement Strategy to improve trust and confidence in policing services and to identify the policing priorities that need to be addressed in their local area. This will include provision of Police Desks across the county	Director of Corporate Improvement	31-Aug-14



Monitoring Key Audit Recommendations

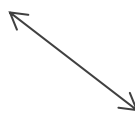
Introduction





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	
Open actions b/fwd from last report	22
New actions since last report	2
Total actions this report	24
Actions completed since last report	7
Open actions c/fwd to next report	17



Key to Actions	Summary of Total Actions by Status
 Completed	7
 Ongoing	13
 timescale exceeded	2
 not yet due	2
Total	24

Key to Grade:***Cumbria Shared Internal Audit Service***

The shared internal audit service have recently changed the format of their reports and the grading applied to audit recommendations. The table below provides a key to both the new and old grading.

New Grade/Priority		Previous Grade/Priority	
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control.	1	Major recommendation that indicates a fundamental control weakness that must be addressed
Medium	Some risk exposure identified from a weakness in the system of internal control.	2	Recommendation to be addressed in order to establish a satisfactory level of internal control
Advisory	Minor risk exposure/suggested improvement to enhance the system of control.	3	Minor recommendation made to improve the system under review





Members have requested that this summary of recommendations report provides an update on actions where the recommendation was graded High/Medium (previously 1 or 2) only. Minor Advisory (previously grade 3) 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	To JASC	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
							September 2014 - Update needed from SK		
Police Absence Management	15/07/2014	21/07/2014	Shared Internal Audit Service	5.2 a Procedures should be documented for the collation and reporting of quarterly absence data.	Medium	Head of Central Services Ann Dobinson	To document procedures for the collation and reporting of quarterly absence data. September 2014 - The procedure has been documented and guidance notes issued to relevant staff. The procedural guidance will be tested when the data for the next quarter is produced in early October.	August 2014	
Police Absence Management	15/07/2014	21/07/2014	Shared Internal Audit Service	R5.2 b. Consideration should be given to including the following enhancements within the scope of planned developments to the Origin HR system:- - Greater automation - Comprehensive record keeping - Improved reporting - Enhancing the interface with the duty management systems (DMS)	Medium	Head of Human Resources Andrew Taylor	Discussions are currently underway regarding prioritising ICT resources. Priority is being given to operational policing systems although developments to the Origin HR system will commence during 2014/15 . Sept 14 - This is now subject to the presentation of a report to October 2014 COG highlighting the future direction/potential for Origin balanced against ICT resources and operational requirements.	Mar-16	
Data Quality: Victim Satisfaction - Crime	07/05/2014	13/05/2014	Shared Internal Audit Service	R1 Formal, signed agreements should be in place for 'call off' agreements from National Framework contracts.	2	Julie Johnstone	Following a review of the Procurement function within the Constabulary and the introduction of new procurement regulations, this recommendation will be implemented as part of the process changes identified. September 2014 - Having explored this recommendation further during implementation of the Procurement Review recommendations and in conjunction with the procurement and legal teams we do not agree that this recommendation should be the case for all contracts in relation to forces that use the Blue Light Procurement Database to set up call off agreements from National Frameworks. This is because all of the negotiations including terms and conditions for these contracts have already been negotiated with the suppliers by the lead force in question. Therefore (as is the case with SMSR), when we were looking for a supplier we logged onto the BLPD and searched the supplier list to see if they were already on the national framework and that we were happy that all the terms and conditions that Thames Valley (in this case) had negotiated with that supplier and already contained within the contract would meet Cumbria's needs. So in all cases where it is decided that Cumbria will call off an existing agreement from National or Regional Framework contracts that are already on the BLPD all that is necessary is for Cumbria to be added to the relevant supplier and framework electronically on the BLPD. This process is conducted by procurement in conjunction with legal services and so is carefully scrutinised. The Head of Procurement has always been able to use discretion and each case is risk assessed (e.g. taking into account the value of the supplier, the number of suppliers in the market, etc.), so some higher value contracts will have a supporting signed agreement despite being subject to this process, although increasingly suppliers that are on the national/regional frameworks are reluctant to sign contracts for each force that calls off them because the negotiations have already taken place and been nationally or regionally agreed.. The SMSR contract only has a value of around £6k per annum. In conclusion, all the contracts agreed with all the suppliers can be found on the BLPD so there is no requirement to set up an additional formal signed agreements in these circumstances. A formal signed agreement will only be necessary where there are no existing national framework agreements registered on BLPD (because some forces do not use the database).	July 2014	
Data Quality: Victim Satisfaction - Crime	07/05/2014	13/05/2014	Shared Internal Audit Service	R2 Cumbria Constabulary should undertake some data quality assurance checking in respect of data provided by SMSR.	2	Andrew Burgess	2. IMS Officers meet with the company to discuss any issues (note - none have been identified to date), and to health check the process. One meeting is outstanding and this will be scheduled as soon as possible. Sept 2014 - a meeting has been arranged for w/c 15/9/14 between SMSR & AB - after this time it is anticipated that the action will be completed.	September 2014	

Audit Report	Report Date	To JASC	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
South Wales Investigation Report	July 2013	31/03/2014	South Wales Police (CC Action Plan)	B4 Cumbria Constabulary should ensure consistent application and adherence to sound public procurement policies.	N/A	Stephen Kirkpatrick - Director of Corporate Support	<p>September 2014 - Update needed from SK</p> <p>Consider what arrangement can be put in place to provide appropriate assurance and scrutiny that procurement policy is applied and adhered to in all relevant business transactions.</p> <p>(1) A review of procurement function and procedures is on-going.</p> <p>(2) Strategic Development to use the Policy Outcome Process to review procurement policies and procedures and make recommendations.</p> <p>March 2014 - (1) The Procurement Review has been extended and is due to report to Extended COG on 01 April 2014 with implementation by the end of June 2014. (2) Joint Procurement Regulations have been developed by the OPCC and the Constabulary and are due to be considered for adoption by the Commissioner on 27 March 2014.</p> <p>June 2014 - (1) The procurement review was approved by Extended COG on 01/04/14 with implementation by the end of June 2014. Implementation is progressing to time, however a full review of procedures will not be completed for the end of June 2014 and will progress over summer. (2) The new joint procurement regulations are now in live use.</p> <p>September 2014 – (1) The new Corporate Procurement Function went live as of 01 July 2014, including the introduction of the revised staffing structures and procedures. The new Head of Procurement commenced employment with the Constabulary as of 01 September with all other positions either filled or appointed (subject to notice periods). The Corporate Procurement Team, together with all relevant stakeholders across the Constabulary and Office of the Police & Crime Commissioner are working to the Joint Procurement Regulations implemented as of 01 April 2014. A briefing programme regarding governance arrangements (including Joint Procurement Regulations) will be undertaken over the coming months to raise awareness across the Constabulary.</p>	30-Jun-14	⚙
South Wales Investigation Report	July 2013	31/03/2014	South Wales Police (CC Action Plan)	B5 Cumbria Constabulary should maintain a central register of all contracts awarded to suppliers and a register of contact with Chief Officers by suppliers on potential goods/services provision.	N/A	Stephen Kirkpatrick - Director of Corporate Support	<p>Compile a centralised contracts’ register - to be submitted on to the “Blue Light Protocol database”. A Central Contracts Register is under development and is being populated on the “Blue Light Database”.</p> <p>(1) Under the procurement review a process will be put in place to ensure that the database is kept up to date.</p> <p>(2) Under the transparency agenda the contracts will be available on the OPCC and Cumbria Police website.</p> <p>March 2014 - (1) A central contracts register is under development and is being populated on the blue light database. This process is approximately 60% complete and is due for completion by the end of September 2014. (2) The procurement team are necessarily prioritising the procurement of business critical services and systems.</p> <p>June 2014 - (1) provisional agreement has been reached with the OPCC to recruit external assistance in the procurement team to drive forward this action. The recruitment has not yet taken place due to the on-going procurement review but will be progressed as soon as possible. (2) A register has been developed, with procedures currently being written. The process is due to be live by mid June 2014.</p> <p>September 2014 - (1) A Centralised Constabulary Contracts Register has been created and publicised utilising the “Blue Light database” and is now being proactively populated and maintained as a high priority within the Centralised Procurement Team. Current activity (based on the 2013/14 financial year) is focusing on publication of all current contracts over £10,000 (in-line with transparency agenda requirements) resulting in 71% of all contracts now published. 25% of contracts do not require publication (as either one off or non-influential) leaving approximately 4% of contracts still to be classified and/or uploaded. Excluding one off and non-influential expenditure, the contracts register for expenditure over the £10,000 threshold is approximately 95% populated with 5% still to be classified and/or uploaded. Future activity will focus on inclusion of 2014/15 data and lower level expenditure below the £10,000 threshold, pending the current recruitment of temporary administration resource to assist. It is anticipated that the inclusion of year to date 2014/15 data will be completed by December 2014. Moving forward, it is proposed that relevant reporting of procurement activities (including contracts publication performance indicators) will be included in the Constabulary’s Corporate Support Quarterly Report which is received by Chief Officers across both the Constabulary and Office of the Police & Crime Commissioner.</p> <p>Both the Commissioner’s and Constabulary websites provide links to the Blue Light Procurement Database which provides details of (the currently uploaded) contracts. See https://www.blpd.gov.uk/foi/foi.aspx and search against Cumbria.</p> <p>A register of contacts with Chief Officers by suppliers of potential goods/services has been established and implemented as of June 2014.</p>	30-Sep-14	⚙

Audit Report	Report Date	To JASC	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
South Wales Investigation Report	July 2013	31/03/2014	South Wales Police (OPCC Action Plan)	D1 All arrangements in relation to planned meetings outside Cumbria Constabulary premises should be arranged by the Business Unit, ensuring that such premises are selected in an open, fair and transparent manner.	N/A	Ruth Hunter - OPCC CFO	Oversee the Constabulary's arrangements for ensuring procurement of hospitality complies with policy and procedure. Ensure policy and procedures are fit for purpose and appropriately manage integrity issues regarding premises and the provision of hospitality. (i) Chief Finance Officer to scrutinise the Constabulary's policy and arrangements, ensuring they are fit for purpose. (ii) Accountability Board to monitor procurement to ensure that it takes place in accordance with the agreed policy and procedures. June 2014 - Discussions have taken place between the PCC CFO and the Director of Corporate Support and the head of Central Services with regard to a proposed format for monitoring information to go to the accountability board on a regular basis. The process is still to be finalised. Sept 2014 - The CFO has reviewed with the Head of CSD the first quarter report for hospitality. The report demonstrates that only a small number of bookings have been made externally and that these are undretaken through CSD on the basis of geographic area in accordance with the procedure. The report will be presented annually to the accountability board facilitating a year on year review.	30-Jun-14	
South Wales Investigation Report	July 2013	31/03/2014	South Wales Police (OPCC Action Plan)	D2 All accommodation for the official visitors to Cumbria Constabulary should be arranged by the Business Unit, ensuring that such accommodation is also selected in an open, fair and transparent manner.	N/A	Ruth Hunter - OPCC CFO	See D1 above.	30 June 2014	
South Wales Investigation Report	July 2013	31/03/2014	South Wales Police (OPCC Action Plan)	B5 Cumbria Constabulary should maintain a central register of all contracts awarded to suppliers and a register of contact with Chief Officers by suppliers on potential goods/services provision.	N/A	Ruth Hunter - OPCC CFO	(i) Put in place arrangements to oversee the Constabulary's process for maintaining a central register of contract with suppliers and publish in line with the statutory requirements of the Elected Bodies (Specified Information) Order 2011. (ii) Review arrangements for contract registers from stage 2 transfer. March 2014 - The OPCC CFO is leading on the arrangements for working with the Constabulary to support the review of procurement. This includes the introduction of new procurement regulations, centralising procurement resources to enhance capacity, skills and internal controls, the implementation of a single contract register and determining how information requirements will be met - there are legal conflicts between publication requirements and data protection/confidentiality. Supplier contact registers are in place within the COPCC. The Constabulary is expected to have a register in place by the end of April 2014.	December 2014	
Seized/Held Property Handling & Claims	17/02/2014	31/03/2014	Shared Internal Audit Service	R1 The Constabulary should adopt a policy and procedures for property handling	1	Ch Supt TPA - Sean Robinson	On completion of the implementation of the front counter review and as part of the detailed work regarding property management a 'draft' policy document in relation to the handling of property has been written and is in the final stages of work prior to progression through the policy agreement process. A dedicated sergeant has been tasked with this and it is anticipated that work will be finalised by January 2014 and full implementation by the end of March 2014. The agreement of policy and supporting documentation will need to go through existing mechanisms for consultation etc. prior to 'go-live'. This will be supported by detailed procedures relating to all aspects of the Constabulary's handling of all types of property will be developed as Standard Operating Procedures (SOPs) and will be supported by a full legal reference appendix. June 2014 - Policy and standard operating procedures completed and are in the process of the consultation period, will be in position to go live 1st July 2014. Sept 2014 Due to IT issues launch of new policy has been delayed until the 1st October	Apr-14	

Audit Report	Report Date	To JASC	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
							September 2014 - Update needed from SK		
Seized/Held Property Handling & Claims	17/02/2014	31/03/2014	Shared Internal Audit Service	<p>R2 The force should take immediate steps to review and, where possible, reduce the amount of property it currently has stored.</p> <p>Retention periods for property items should be established. These should be linked to the nature of the crime and item is connected to.</p>	2	Ch Supt TPA - sean Robinson	<p>A full property inventory has taken place (Commissioned November 2013 due for completion during January 2014) Once the policy has been agreed a review of compliance against inventory will be completed and where necessary any property that does not require the Constabulary to hold will be disposed of in accordance with policies.</p> <p>The Constabulary already makes use of an 'officer performance dashboard' and five weekly performance reviews to monitor what property each officer has booked in to which stores and why it is retained. The inclusion of property management within the performance regime will assist in providing sufficient oversight on the management of property.</p> <p>June 2014 - Property audit completed and disposal process ongoing. Work ongoing to meet the requirements of the Police Property Act, Police and Criminal Evidence act and the Criminal Procedures and Investigation act which defines legal requirements for retention of personal property</p> <p>Sept 2014 Due to IT issues launch of new policy has been delayed until the 1st October</p>	April 2014	☀
Seized/Held Property Handling & Claims	17/02/2014	31/03/2014	Shared Internal Audit Service	R5 A process should be introduced to ensure that a more proactive approach is adopted towards monitoring the booking in, retention and disposal of property taken into police possession by officers.	2	Ch Supt TPA - Sean Robinson	<p>This will be a policy and SOP compliance matter and is covered within the checks detailed at R2 and R4.</p> <p>June 2014 - Force Policy and standard operating procedures produced and now at consultation phase to be introduced 1st July 2014.</p> <p>Sept 2014 Due to IT issues launch of new policy has been delayed until the 1st October</p>	April 2014	☀
Seized/Held Property Handling & Claims	17/02/2014	31/03/2014	Shared Internal Audit Service	R6 Appropriate levels of consistency should be established and applied to property descriptions. Policy should dictate what information should be recorded and whether related items are listed separately or as single entries	2	Ch Supt TPA - Sean Robinson	<p>Having dip sampled property in Workington it is agreed that there are some minor improvements to be made and the detail on the property spreadsheet needs to be improved, but in the main the descriptions provided by officers on the dip samples was adequate to identify what the item was. It is an idea that will be monitored closely during the compliance review.</p> <p>The policy will provide clarity on the requirements and whether or not items are stored individually or collectively, much will depend on what and why the property is retained and future purpose.</p> <p>June 2014 - Policy implementation 1st July 2014</p> <p>Sept 2014 Due to IT issues launch of new policy has been delayed until the 1st October</p>	Full Policy Implementation April 2014	☀
Seized/Held Property Handling & Claims	17/02/2014	31/03/2014	Shared Internal Audit Service	R7 All officers and staff need to ensure that when items of property are removed from, or returned to any store, that the Property Register is updated with its current location	2	Ch Supt TPA - Sean Robinson	<p>The policy document clarifies the need for and importance of continuity for the police storage of property and the SOPs will enable an auditable continuity system to be adopted.</p> <p>June 2014 - Standard operating procedures give specific instructions for the register to be updated implementation 1st July 2014</p> <p>Sept 2014 Due to IT issues launch of new policy has been delayed until the 1st October</p>	Full Policy Implementation April 2014	☀
Seized/Held Property Handling & Claims	17/02/2014	31/03/2014	Shared Internal Audit Service	R9 The Constabulary should review how it handles small, high value items of property such as smart phones. Consideration should be given to placing such items in a safe	2	Ch Supt TPA - Sean Robinson	<p>The Constabulary already makes significant use of safes within the organisation and bank safety deposit boxes to store small, high value items. It should be noted that officers are not trained to 'value' items and should not assume the value or otherwise of something they seize, they should accurately record what it is and store it appropriately. The property audit will highlight any inconsistencies in approach and the revised SOPs used to ensure compliance.</p> <p>June 2014 - Standard operating procedures give specific instructions for the handling of property, implementation 1st July 2014</p> <p>Sept 2014 Due to IT issues launch of new policy has been delayed until the 1st October</p>	Full Policy Implementation April 2014	☀

Audit Report	Report Date	To JASC	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
Data Quality - Anti Social Behaviour	17/03/2014	31/03/2014	Shared Internal Audit Service	R1 Vulnerable victims should be identified at the point of report, with the nature of their vulnerability fully logged	2	Ch Insp Comms & Force Incident Registrar	<p>In depth training has been provided by CMU to all call handlers and supervisors in 2011-12 and is also delivered to new members of staff, in conjunction with input by Comms Centre Management. A refresher message is to be rolled out emphasising the importance of exploring vulnerability and noting in adequately in the log.</p> <p>The refresher message will be reinforced once the Comms single site is established. At this point there will be more supervisory capacity to quality assure ASB calls in real time (which will include listening to the initial call) and this will allow them to intervene where necessary. Supervisors will be specifically looking at establishing vulnerability at the point of call and recording it accurately, providing feedback where necessary.</p> <p>CMU will measure the success of this action by conducting another full ASB review in September 2014.</p> <p>It should be noted that not all vulnerable people feel confident in discussing such matters over the phone and many vulnerabilities are identified in follow up actions by officers/PCSO's.</p> <p>May 2014 - The Comms Centre quality assurance programme has changed its remit to concentrate on ASB calls and identifying vulnerability. The audit form has been re-developed with specific reference to this and will allow extraction for analysis by Crime Management Unit. Training is being devised to deliver to all supervisors to allow them to carry out this role and audit effectively. Full ASB review to take place September 2014</p> <p>Sept 14 - Vulnerability training has been devised and will be delivered to Comms Supervisors between October 2014 and January 2015</p>	May-September 2014	⚙️
Data Quality - Anti Social Behaviour	17/03/2014	31/03/2014	Shared Internal Audit Service	R2 Attending officers should be clearly updated of the need for a ASBRAs and the repeat and vulnerable status of victims	2	Ch Insp Comms	<p>Training in ASBRA and the general approach by officers and PCSOs has reduced the impact of this issue, however the importance of passing all relevant ASB and vulnerability information is to be reinforced with relevant Comms staff.</p> <p>This will be reinforced through Comms Centre Supervisors dip sample audits and via the ASB steering group as a performance issue.</p> <p>Success of this intervention will be assessed through the next CMU ASB review in September 2014.</p>	Post 01/01/14	⚙️
Data Quality - Anti Social Behaviour	17/03/2014	31/03/2014	Shared Internal Audit Service	R3 ASBRA incidents should be subject to supervisory review on a consistent basis	2	Ch Insp Comms	<p>Comms supervisors are not the only supervisors in the ASB process and sergeants and inspectors ensure compliance at later stages. A repeat direction will be issued to Comms to emphasis the need for supervisors to review and close all ASBRA incidents (including updating the associated ASPIRE record). In addition to this, STORM will be updated to mandate that only supervisors can close incidents opened as ASB-Personal (the ASB opening code most likely to contain the high risk incidents).</p> <p>As per R1, supervisors will also quality assure selected ASB-Personal logs on a real time basis.</p> <p>The supervisor will update logs inspected by marking the supervisor check qualifier. This has been done and checks reveal it is ongoing.</p>	Post 01/01/14	⚙️
Data Quality - Anti Social Behaviour	17/03/2014	31/03/2014	Shared Internal Audit Service	R4 The low rate of compliance with National Incident Recording Standards should be fully addressed	2	Force Incident Registrar	<p>CMU NSIR audits will re-commence.</p> <p>The sample used in this audit was skewed (due to its remit). A wider NSIR audit will be carried out to provide an accurate baseline. From this, results and themes will be shared with the Comms Centre and guidance issued accordingly.</p> <p>The FIR will present quarterly reports on NSIR compliance to the Comms Centre Management Team. The FIR will also attend Comms Supervisor meetings to address NSIR issues. These forums will be used to drive NSIR focus and compliance with specific guidance on problem areas circulated among relevant staff.</p> <p>May 2014 -The first NSIR audit has been completed and the compliance rating (for closing codes) is 88% (as opposed to the 70% compliance from the Shared Internal Audit Service). This audit report has been shared with Comms Supervisors and discussed at the Comms Centre Supervisor meeting. As a result of this discussion supervisors should be more equipped to dispense NSIR advice, however discussions are still to take place as to the most effective way to impart the learning points established to all Comms Centre Staff.</p> <p>September 2014 - After discussion with Comms Supervisors, it was decided that NSIR compliance would benefit from a new NSIR FAQ page on Sharepoint and to highlight common errors through condensed audit reports disseminated to all Comms Staff. This has been completed by the FIR and will be further embellished on the new FAQ platform.</p>	December 2014	⚙️

Audit Report	Report Date	To JASC	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
Data Quality - Anti Social Behaviour	17/03/2014	31/03/2014	Shared Internal Audit Service	R5 There should be closer liaison between the Central Crime Management Unit and the Communications Centre regarding incident recording issues highlighted by quality assurance checks	2	Ch Insp Comms & Force Incident Registrar	<p>The current Comms QA checks are to be re-designed to ensure that problem areas identified by the FIR are incorporated in routine QA. In addition they will be written so that meaningful data can be extracted and analysed by both Comms and CMU. As per R4 the FIT will attend both the Comms Centre Management group meetings and also Supervisor meetings where performance and compliance will be discussed and addressed.</p> <p>May 2014 - The Comms QA checks have been re-designed by the Comms Centre Manager in conjunction with the FIR and now do cater for the problem areas identified. As already stated, one to one training with supervisors is being devised to ensure that the QA is completed effectively and consistently. Work is still to be done in exactly how the data will be analysed by Crime Management Unit, however the QA work it is now in a format that the resultant data can be extracted for this purpose.</p> <p>September 2014 - Training on identifying vulnerability is being delivered by CMU to Comms Supervisors between October 2014 and January 2015. The FIR is now attending Comms Supervisor meetings to address incident recording issues.</p>	Post 01/04/14	
Data Quality – Crime and Incident Recording	December 2012	21/03/2013	Shared Internal Audit Service	R1 Ongoing monitoring is required to assess the effectiveness of quality assurance arrangements and make reasonable adjustments to secure an acceptable level of data quality.	1	Ch Supt TPA - Sean Robinson (Previously Force Crime Registrar)	<p>Following publication of this report and an internal audit report (Nov 12) a further retrospective audit of data will be instigated by the Force Crime Registrar in Feb/Mar 2013 to measure data quality compliance. This audit together with findings to date will inform and assist the on-going implementation of activities within the Constabulary Improvement Plan for this area of the business.</p> <p>November 2013 - The audit as documented was put on hold in order to address a recording issue with serious violent crime and to carry out an audit of that data. Crime & Incident recording data quality audit carried out in October 2013 with findings and recommendations forwarded to ACPO/senior command for their attention. (see summary below).</p> <p>In October 2013 three crime quality assurance officers were identified for the Force to work with a central Sergeant on the quality around crime recording and compliance of processes. Their first focus is in the high risk areas of Domestic Violence, Sexual offences and Hate Incidents. These officers will be in post for 18 months and report to C/Supt Johnson.</p> <p>For a period of 6 months all crime files will be quality assured with the Sleuth crime system and the data reviewed to address any performance areas highlighted.</p> <p>March 2014 – the audit of crime & incidents is ongoing with results and report expected to be produced by the week commencing Monday 31ST March 2014.</p> <p>The Sergeant and three quality assurance officers have now been transferred to HQ into permanent positions with part of their responsibilities being to assess data quality in relation to threat/risk and subsequent compliance against Home Office rules and standards.</p> <p>April 2014 - Internal audit of crime & incidents completed with results overall showing a small improvement. Report completed and forwarded to ACPO/senior command. Constabulary awaits external HMIC audit of crime & incident data commencing July 14th 2014.</p>	Feb/March 2013	
Data Quality – Crime and Incident Recording	December 2012	21/03/2013	Shared Internal Audit Service	R2 Data quality risks should be managed according to the Constabulary's risk appetite.	2	Ch Supt TPA - Sean Robinson (Previously Force Crime Registrar)	<p>The results of the above action will inform how data quality is managed by the Constabulary in the future. This may result in maintaining current audit levels or a return to 'real time' audit in an effort to manage data quality more effectively.</p> <p>November 2013 - Real time audit is conducted by operational Inspectors in the high risk areas of Domestic Violence, Sexual offences and Hate Incidents.</p> <p>Retrospective audits are carried out by operational supervisors of during officer's performance reviews.</p> <p>March 2014 - The results of the March 2014 internal audit, together with the HMIC audit of crime data (July 2014) will inform this particular recommendation.</p> <p>April 2014 - Internal audit of crime & incidents completed with results overall showing a small improvement. (83%) Report completed and forwarded to ACPO/senior command. Constabulary awaits external HMIC audit of crime & incident data commencing July 14th 2014.</p>	Feb/March 2014	

Audit Report	Report Date	To JASC	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
Data Quality – Crime and Incident Recording	December 2012		Shared Internal Audit Service	Comments in relation to All Data Quality Actions			<p>June 13 - In relation to the 2 Data Quality audit recommendations above the following actions have been taken :-</p> <ul style="list-style-type: none"> · A Crime Management Governance Board has been set up to oversee the approach to improving crime management processes. · A Crime Desk Review and Implementation team has been established. · The Crime Management Unit has been re-located into the Communications Centre to improve connectivity. · Live time audits have been re-introduced for priority crimes. · Introduction of a Performance Framework. · Regular updates to raise staff awareness. <p>September 2013 Update:</p> <ul style="list-style-type: none"> · Performance is improving however work is still in progress to sustain the necessary standards. · The force registrar and his team have had to suspend live time audits to undertake necessary national audits and returns. · Operational Commanders have in place a system of live time audits by inspectors and sergeants. · The Crime Desk Improvement Group are looking at other initiatives to improve and sustain performance. <p>October 2013 update: An internal audit of crime & incident data was completed in October 2013 inclusive of both the recording and classification of serious violent crime. The results showed that the Constabulary had been able to maintain the 80% compliance rate as recorded in the November 2012 internal audit and there is an expectation by the Force Crime Registrar that compliance levels will continue to rise as the work carried out by the Crime Desk Review and Implementation team takes effect. As part of the overall audit, the review of the Crime Management unit functions showed clear integrity and quality assurance against the data categories examined. A further measurement of improvement will be available to the Constabulary following the external audit by HMIC in early 2014.</p> <p>March 2014 update: Internal audit results awaited and preparation work has been commenced for the HMIC July 2014 audit. This latter external audit is to be based on November 2012-October 2013 data. Internal audit results covering that period are documented above. (October 2013 update).</p> <p>September 2014 - The HMIC inspection has now taken place. There has been a slight improvement since that date and the direction of travel remains positive. The Constabulary has recently instigated a data quality/NCRS compliance regime aimed at individual officers and staff members and their individual development needs.</p>		N/A
Data Quality – Serious Violent Crime Reporting	July 2013	23/09/2013	Shared Internal Audit Service	R1 there should be close monitoring and supervision of Central crime Management Unit crime re-classifications in respect of serious violent crime.	1	Ch Supt TPA - Steve Johnson (Previously Force Crime Registrar)	<p>As documented within the report the Force Crime Registrar will continue to audit and supervise serious violent crime, both through monitoring of the category by exception and through specific audit.</p> <p>November 2013 - All serious violent crime has been reviewed and the Central Crime Management Unit have received training and guidance around classifications in respect of serious violent crime. It will now form part of the role of the supervisor in the department to monitor all crime classifications.</p> <p>This category of crime was measured in the October 2013 audit report and will remain an integral part of the audit process. (please see audit summary above).</p> <p>March 2014 - The appointment of a Crime Desk Sergeant with the necessary skills for this area of business has been appointed and it is expected that this skill base will assist in meeting Home Office Counting rule compliance.</p> <p>June 2014 - a reclassification audit of serious violent crime will be carried out once the external HMIC audit has been completed and staffing within CMU allows.</p> <p>September 2014 - The HMIC inspection has now taken place. There has been a slight improvement since that date and the direction of travel remains positive. The Constabulary has recently instigated a data quality/NCRS compliance regime aimed at individual officers and staff members and their individual development needs.</p>	This is an ongoing function which will initially be measured against the Constabulary NCRS audit in August 2013.	

Audit Report	Report Date	To JASC	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
Data Quality – Serious Violent Crime Reporting	July 2013	23/09/2013	Shared Internal Audit Service	R2 The risk to serious violent crime data quality should be re-assessed and managed accordingly to ensure acceptable data quality standards.	2	Force Crime Registrar	<p>As at present, this category will continue to be assessed as part of the Constabulary audit of “violence against the person” crimes.</p> <p>November 2013 - This category of crime was measured in the October 2013 audit report and will remain an integral part of the audit process. (please see audit summary above)</p> <p>A DCI/DI will review all serious violent crime.</p> <p>March 2014 - Audit of crime classifications/reclassifications will take place in June 2014 inclusive of serious violent crime. Staffing requirements within Crime Management have precluded this audit work forming part of the March 2014 audit.</p> <p>June 2014 – Training delivered to all PPU managers and supervisors in data quality requirements and standards.</p> <p>Live time audits introduced in each TPA with a schedule in place to ensure all violent crime areas are addressed and kept under constant review. High risk categories identified and included in the schedule as a specific item and bespoke feedback provided to individuals and teams as required.</p> <p>Inputs are provided to uniform Inspectors and Sergeants on development days delivered centrally at HQ on providing live and consistent QA to incidents and this will form part of the continued professional development in those ranks.</p> <p>There has been a 5% improvement in compliance between October 2013 and April 2014 (73 to 78%)</p> <p>Standard Operating procedures have been developed for the consistent recording and management of sexual offences and have been rolled out across the Constabulary.</p> <p>Sept 14 - Further internal audit is scheduled for after the completion of the HMIC external audit which takes place in July 2014.</p>	Ongoing crime management role.	⚙️

JOINT POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUD AND STANDARDS COMMITTEE	Paper No.
Meeting date: 22 September 2014	
From: Audit Manager (Cumbria Shared Internal Audit Service)	

INTERNAL AUDIT: PROGRESS REPORT TO 31ST AUGUST 2014

1.0 EXECUTIVE SUMMARY

1.1 *This report provides a review of the work of Internal Audit for the five months up to 31 August 2014*

1.2 *Key points are:*

- *High levels of assurance for final audit reports issued in the period with 100% of all completed reviews receiving Reasonable or higher assurance.*
- *Progress with the audit plan is on schedule with 22% of planned days delivered (compared to 21% in 2013/14), and 22% of audits delivered (18% in 2013/14).*

2.0 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS, AND LINKS TO COUNCIL PLAN

2.1 *Internal Audit's work is designed to provide assurance to management and 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 2011 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 Audit and Standards Committee enables emerging issues to be identified during the year.***

3.0 *RECOMMENDATION*

- 3.1 ***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 2011 require that the PCC and Chief Constable maintain an adequate and effective system of internal audit of their accounting records and systems of internal control conducted in accordance with the proper internal audit practices. 'Proper audit practices' are defined as those stated within the Public Sector Internal Audit Standards (PSIAS) which became mandatory for all UK public sector internal auditors from 1st April 2013.
- 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 2014/15 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 first five months of 2014/15. It reports progress on the delivery of the 2014/15 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 31st August 2014

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2014/15 audit plan. Further detail on this is included at Appendix 2.

Audit plan year	Audit Status	Number of reviews
2014/15	<u>Audits completed:</u> Risk based audits Governance work	<u>4</u> 2 2

	<u>Audits in progress:</u>	<u>3</u>
	Risk based audits	3
	<u>Audits to be started</u>	<u>11</u>
	Risk based audits	8
	Financial systems	3

Outcomes from Final Audit Reports to 31 August

- 3.8 Two pieces of risk based audit work containing an audit assurance statement were completed in the period. Overall levels of assurance are high with both reports showing at least reasonable assurance.
- 3.9 Internal Audit reviewed the 2013/14 Annual Governance Statements for both the PCC and Chief Constable and concluded that there was reasonable assurance over the processes in place for each organisation's Review of Effectiveness.
- 3.10 The detailed outcomes from each finalised audit are shown in Appendix A.

Draft Reports Issued to 31 August

- 3.11 There are no reports at draft stage at 31 August.

Emma Toyne
Audit Manager
 September 2014

APPENDICES

Appendix 1: Final reports issued to 31st August 2014
Appendix 2: Progress on all risk based audits from the 2014/15 plan
Appendix 3: internal audit performance measures to 31st August 2014

Contact: Emma Toyne, 01228 226254, emma.toyne@cumbria.gov.uk

Appendix 1 – Final reports issued to 31 August 2014

Assignments	Main Points	Assessment	Current Status
Annual report 13/14	Presented to Audit and Standards Committee 23 June 2014.	N/A	Complete
Annual Governance Statement 13/14 - PCC	Presented to Audit and Standards Committee 23 June 2014.	N/A	Complete
Annual Governance Statement 13/14 - Constabulary	Presented to Audit and Standards Committee 23 June 2014.	N/A	Complete
Absence Management – Constabulary	<p>The purpose of the audit was to provide assurance over the arrangements in place within the Constabulary to manage attendance.</p> <p>The audit identified the level of commitment to reducing employee absence as a strength.</p> <p>Three recommendations were made in respect of:</p> <ul style="list-style-type: none"> • Documenting procedures for the collation and reporting of quarterly absence data (<i>medium priority</i>) • Further developing the Origin HR system (<i>medium priority</i>) and; • Completing the review of the absence management policy by the revised target date (<i>advisory issue</i>). 	Reasonable Assurance	Report circulated to Audit and Standards Committee 22/09/14
Project Management Arrangements – New Barrow Police Station	<p>The purpose of the audit was to provide assurance over the project management arrangements for the new police station at Barrow.</p> <p>The audit identified several areas of good practice</p>	Substantial assurance	Report presented to Audit and Standards Committee 22/09/14

Appendix 1 – Final reports issued to 31 August 2014

Assignments	Main Points	Assessment	Current Status
	<p>including:</p> <ul style="list-style-type: none">• Sound governance arrangements;• A suitably qualified and skilled project team;• Input from internal specialists as required (eg finance and legal)• Budget monitoring and financial processes• Systems for recording and reporting risks. <p>No recommendations were made.</p>		

In addition to the above, a member of the Internal Audit team attended the Police Audit Group Conference in July. The event was a useful networking opportunity and identified some areas for consideration in future internal audit plans. Particular emphasis at the Conference was placed on ethics and governance issues, the latter will be taken into account in scoping the governance audit later this year.

Appendix 2 – Progress on 2014/15 Audit Plan

PCC / Constabulary Review	Audit	Stage
Constabulary	Communications Centre	Not yet started
Constabulary	Project Management arrangements for new Barrow Police Station	Complete
Constabulary	Custody Arrangements	Audit scoped Fieldwork to commence in September
Cross cutting review	Business Continuity Planning	Not yet started
Cross cutting review	Governance	Not yet started
Constabulary	Absence Management	Complete
Cross cutting review	Policy Development and Management	Not yet started
Cross cutting review	Risk Management	Audit scoped Fieldwork to commence in September
Constabulary	Annual Governance Statement 13/14	Complete
PCC	Annual Governance Statement 13/14	Complete
Cross cutting review	Payroll (financial system review)	Not yet started
Cross cutting review	Budget management (financial system review)	Not yet started
Cross cutting review	Debtors (financial system review)	Not yet started
PCC / Constabulary	Contingency	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	95% (annual target)	22%	<p>It is not unexpected that few reviews from the 2014/15 audit plan have been finalised in the period due to the lead in time inherent in the new audit approach. We have not set quarterly targets for this year as there is no baseline data on which to base these due to the new approach having been implemented this year.</p> <p>We will use 2014/15 figures to profile the expected delivery of the plan for 2015/16.</p> <p>Two reviews have been completed to final report stage.</p> <p>The plan is on track (see comment below)</p>
	Number of planned days delivered	180	40	<p>The plan is on track.</p> <p>Audits scheduled for quarter 1 are complete quarter 2 work has been scoped.</p>
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	70%	100%	

Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
	during fieldwork.			
Timeliness of final reports	% of final reports issued for corporate director comments within five working days of management response or closeout meeting.	90%	100%	
Recommendations agreed	% of recommendations accepted by management	95%	100%	
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 survey scoring the service as good.	80%	n/a	No surveys returned in the period.
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	67%	<p>Chargeable time has been impacted in Q1 by the office move and restructure. In addition, the implementation of the risk based approach is still being embedded.</p> <p>This figure continues to be closely monitored by the audit management team.</p>

Cumbria Shared Internal Audit Service

Internal Audit Report for Cumbria Constabulary



Draft Report Issued: **26 June 2014**

Final Report Issued: **15 July 2014**

Audit Resources

Title	Name	Email	Telephone
Audit Manager	Emma Toyne	emma.toyne@cumbria.gov.uk	01228 226254
Lead Auditor	Diane Lowry	diane.lowry@cumbria.gov.uk	01228 226281

Audit Report Distribution

For Action:	Philip Robinson (Head of Estates)
For Information:	Stephen Kirkpatrick (Director of Corporate Support) Roger Marshall (Chief Constable's Chief Finance Officer) Ruth Hunter (Chief Finance Officer, PCC) Stuart Edwards (Chief Executive PCC)
Audit Committee	The Audit Committee, which is due to be held on 22 September 2014, 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 project management arrangements for the new police station in Barrow in Furness. This was a planned audit assignment which was undertaken in accordance with the 2014/15 Audit Plan.
- 1.2. In March 2012 a business case for the development of a new capital scheme for Barrow Police Station and custody arrangements was presented to a meeting of the Police Authority. The business case pointed out that the replacement of the current Barrow Police Station was a Police Authority and Constabulary priority. In spite of some investment the custody facilities were below acceptable standards and provided insufficient cell capacity. Operational accommodation was also said to be below the standard of what was required and the cellular nature of the building did not promote high levels of staff integration.
- 1.3. The Project is designed in part to minimise risks to individuals in custody which is an item on the constabulary's strategic risk register. The current budget for the project is £9M.
- 1.4. The audit review was carried out to provide assurance over the management of the project.

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 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 Phil Robinson and the agreed scope areas for consideration were identified as follows:
 - The governance arrangements around the management of the project.
 - Arrangements in place to ensure the project is delivered to budget
 - The arrangements in place to ensure that the timescale is achieved
 - Arrangements for ensuring the project is delivered to the appropriate quality

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 project management provide **Substantial** 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 no audit recommendations arising from this review.

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. Management - achievement of the organisation's strategic objectives achieved	-	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts	-	-	-

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	0	0

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

- Sound governance arrangements are in place with regular monitoring and reporting of the project's progress to the Project Board and PCC.
- A suitably qualified / skilled project management team including a team of consultants has been appointed to enable delivery of the project this includes a Quantity Surveyor, Architects, Structural and Service Engineers and a Clerk of Works.
- Input is provided as appropriate by other internal specialists including the legal and finance teams.
- A budget monitoring process is in place and the budget is on track and includes appropriate contingency.
- There are arrangements in place to ensure that interim payments for the project are appropriately authorised.
- Monthly meetings are held with the Contractor, who also prepares progress reports for the Project Team. If updates are required between meetings the Board members have electronic access to the Contractor's work programme.
- A system is in place for the recording and reporting of any risks identified during the project, together with details of the mitigation strategy.
- A contract performance bond has been drawn up should the main contractor default on the contract.

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:*

- No medium priority issues were identified

4.4.3. *Advisory issues:*

- No advisory issues were identified

Comment from the Director of Corporate Support

I am delighted with the findings of this report which achieved a substantial level of assurance thus recognising the many strengths and examples of good practice in place regarding procedures and project management arrangements.

The lack of any recommendations is a testament to the excellent efforts of all involved in the project to procure and deliver the new Barrow Police Station.

I would like to thank both the Cumbria Shared Internal Audit Service and Constabulary/OPCC colleagues for their work in conducting this audit.

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 Office of the Police and Crime Commissioner

Title: Treasury Management Activities 2014/15 for the period April to June 2014

PCC Executive Board: 13 August 2014

Joint Audit and Standards Committee: 22 September 2014

Agenda Item No: xx

**Originating Officers: Michelle Bellis, Deputy Chief Finance Officer & Lorraine Holme,
Principal Financial Services Officer.**

1. Purpose of the Report

- 1.1. The purpose of this paper is to report on the Treasury Management activities, which have taken place during the period April to June 2014 in accordance with CIPFA's Code of Practice on Treasury Management.
- 1.2. Treasury Management activities are undertaken in accordance with the Treasury Management Strategy Statement and Treasury Management Practices approved by the Commissioner in February each year.

Recommendation

- 1.3. The Commissioner is asked to note the contents of this report. The report will also be presented to the Joint Audit and Standards Committee in September as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy.

2. Economic Background

- 2.1. Growth - The recent strong performance of the UK economy continued with output growing at 0.8% in Quarter 1 2014. The growth figures confirm that the UK has one of the fastest rates of economic growth in the western world, although a more detailed analysis did not provide any support towards the rebalancing of the economy, which remains a key plank of the government's economic strategy. House prices continued on their upward trend but there were some signs of cooling in the housing market evident from the fall in the number of housing transactions and new mortgage lending due to tighter lending standards following the introduction of the Mortgage Market Review in March.
- 2.2. Unemployment - The labour market continued to improve, with job growth strong and the headline unemployment rate falling to 6.6%. However, earnings growth weakened with total pay slowing to just 0.7% yearly growth in the three months to April and employment growth was masked by a large number of individuals on zero-hour contracts and those working part-time involuntarily.
- 2.3. Inflation - CPI inflation for May fell to 1.5% year-on-year from 1.8% which was lower than market expectations. Even though inflation was expected to tick marginally higher in coming months, it was still expected to remain just below the Bank's 2% target.
- 2.4. UK Monetary Policy - The Monetary Policy Committee (MPC) made no change to the Bank Rate of 0.5% and maintained asset purchases (quantitative easing) at £375bn. However, there was a marked shift in tone from the Bank of England's Governor and other MPC members. In his Mansion House speech in June Governor Mark Carney warned that interest rates might rise sooner than financial markets were expecting. The minutes of the MPC's June meeting outlined the Bank's central view that whilst wage growth and inflation had been weak, economic activity had been stronger than expected and the policy decision had therefore become more 'balanced' for some members on the Committee than earlier in the year. Using information provided by the Commissioner's treasury advisors, Arlingclose Ltd, we have revised the graph in **Appendix 1** to reflect the 'sooner than expected' rise in the bank base rate.

3. Treasury Management Operations and Performance Measures

3.1. The Commissioners day to day treasury management activities are undertaken on behalf of the Commissioner's Chief Finance Officer/Deputy Chief Executive (PCCCFO) by the financial services team under the management of the Chief Constable's Chief Finance Officer (CCCFO). Responsibilities and requirements for treasury management are set out in the financial regulations and rules. Treasury management practices are approved annually setting out the arrangements as part of the Treasury Management strategy.

3.2. Management of cash balances

The aim of the Treasury Management Strategy is to invest surplus cash and minimise the level of un-invested cash balances, whilst limiting risks to the Commissioner's funds. Actual un-invested balances for the months of April to June 2014 for the Commissioner's main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	91	1,808	13,337
Days Overdrawn	0	0	0

The largest un-invested balance occurred on 16 June and was as a result of £12.5k of seized cash being banked during the day. We are advised by the bank that transactions being posted during the day are subject to checking and can be removed, therefore, we do not invest these sums until the following day to limit the risk of being overdrawn.

The Commissioner's main bank account was not overdrawn during the period April to June 2014.

Within the Treasury Management Strategy a target is set to achieve a daily balance of +/- £2k on the Commissioner's main bank account. Whilst the daily treasury management process always calculates the anticipated balance within these limits, daily transactions through the bank of which we are not aware (e.g. banking of cash/cheque receipts) can alter the closing balance for the day. During the months of April to June 2014, the balance was within the £2k limit for 61

out of 91 days (67%). This statistic is skewed by our policy to ensure that all cash and cheques are banked on a Friday, as a minimum, more often if large sums are received. If cash is banked it clears our account on the same day and we will be over our £2k limit for 3 days over the weekend not just the day it is banked. This occurred on 4 weekends in this quarter, 2 of which incorporated longer public holiday weekends. An estimate of the interest forgone on un-invested balances over £2k during this three month period is £24.

3.3. Investment Activity

The table below illustrates the number and value of investments made with Major UK Banks (category 1), other Local Authorities (category 3) and the Debt Management Office (category 4) of the approved investment counterparties during the months of April to June 2014:

Month	Number of Investments	Total Value of Investments £m
April 2014	3	4.5
May 2014	4	4.5
June 2014	0	0.0

In addition to the above there are regular smaller investments made via liquidity funds (category 2).

A schedule detailing the individual investments that make up the £17.696m total invested at 30 June 2014 is attached at **Appendix 2**. A further illustrative analysis is provided of the balance outstanding at **Appendix 3**, where the first chart analyses the outstanding balance by the credit rating of the investment counterparty and the second shows the maturity structure of investments by the credit rating of the counterparty. The Commissioner's current policy is that investment counterparties have minimum credit rating of A-. (The greater the number of A's the higher the credit rating).

The Commissioner sets a limit for "non-specified" investments of over 364 days at the time of investment. The maximum of all investments with outstanding maturities greater than 364 days is set at a limit of £5m for 2014/15. The Commissioner currently has no investments that have an outstanding maturity of greater than 364 days. However, there are currently three investments which at the time of investing, were for a period of just over 364 days. These are set out in the table below:

Borrower	Value £m	Investment Period (Days)	Date Invested	End Date	Period Remaining to maturity (days)	Actual Rate (%)
Barclays Bank PLC	1.5	365	03/07/2013	03/07/2014	3	0.87%
Nationwide	1.5	365	30/12/2013	30/12/2014	183	0.78%
Barclays Bank PLC	1.0	365	28/02/2014	27/02/2015	242	0.84%
Total	4.0					

3.4. Interest Earned

Interest earned for the period of the report and the average return on investment that it represents is set out in the table below:

Month	Interest Amount (£)	Average Total Investment (£)	Average Return on Investment (%)
April 2014	11,588	27,425,197	0.51%
May 2014	11,038	22,544,899	0.58%
June 2014	10,473	22,722,329	0.56%
TOTAL	33,099	24,230,808	0.55%

Total interest earned during April to June 2014 amounted to £33k. A simple pro-rata of this figure would suggest a full year effect of interest in the region of £142k, however, the interest receipts in the coming months will fall as the level of principal available to invest falls due to expenditure on the capital programme. The construction project at Barrow on the new TPA headquarters is progressing well and stage payments in the region of £5.6m are expected to be made in the remaining 3 quarters of 2014/15. The current forecast of interest receipts which will be generated in 2014/15 is as budgeted at £120k. A comparison of this figure against budget is outlined in the table below:

	Amount (£000's)
Original Estimate 2014/2015	120
Forecast Position June 2014	120
Increase/(Decrease) compared to Estimate	0

3.5. Investment Performance

As a performance measure for the quality of investment decisions, the rate achieved on maturing longer term investments of over three months in duration is compared with the average Bank of England base rate over the life of the investment. The table below provides details of the individual performance of investments (of over 3 months duration at time of investment) for the months April to June 2014:

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Barclays	1	12	0.88%	0.50%
Barclays	1	12	0.85%	0.50%

4. Compliance with Prudential Indicators

- 4.1. The Commissioner can confirm that he has to date complied with his treasury related Prudential Indicators for 2014/15, which were set in February 2014 as part of the annual Statement of Treasury Management Strategy. Further details can be found at **Appendix 4**.

5. Implications

- 5.1. Financial – As detailed in main body of report above.
- 5.2. Legal – None
- 5.3. Risk – The report advises members about treasury activities. Given the large unsecured sums invested with financial institutions treasury management can be a risky area. Nevertheless, procedures are in place to minimise the risks involved, including limits on the sums to be invested with any single institution and reference to credit ratings are set down in the PCC's treasury strategy and in particular the treasury management practices (TMP1 Treasury Risk Management).

5.4. HR / Equality – None

5.5. I.T – None

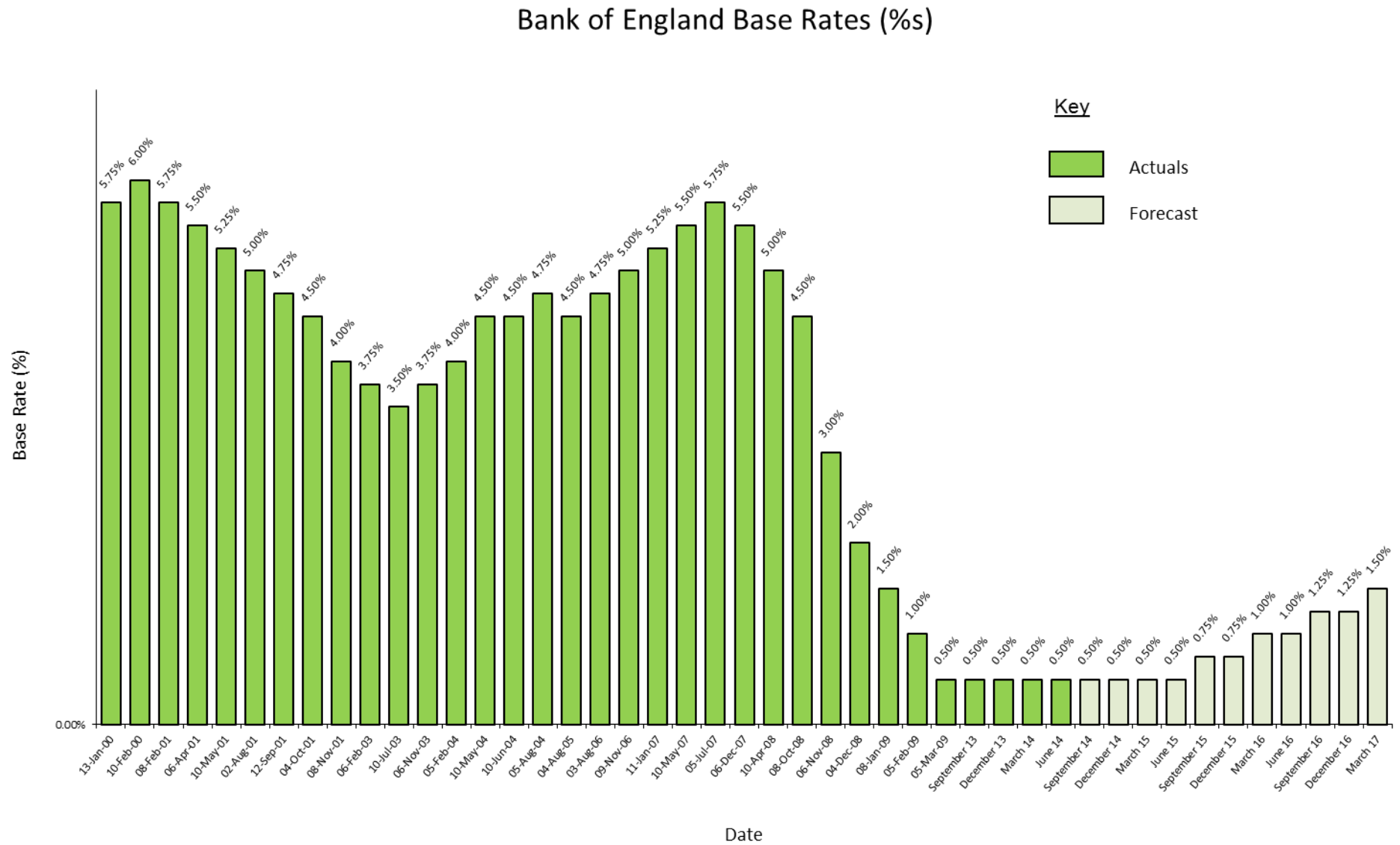
5.6. Procurement – None

6. Supplementary information

Attachments

Appendix 1	Recent history and projections of Bank Base Rates
Appendix 2	Schedule of Investments as at 30 June 2014
Appendix 3	Analysis of Investments as at 30 June 2014
Appendix 4	Prudential Indicator Compliance

Appendix 1



Appendix 2

Schedule of Investments as at 30 June 2014

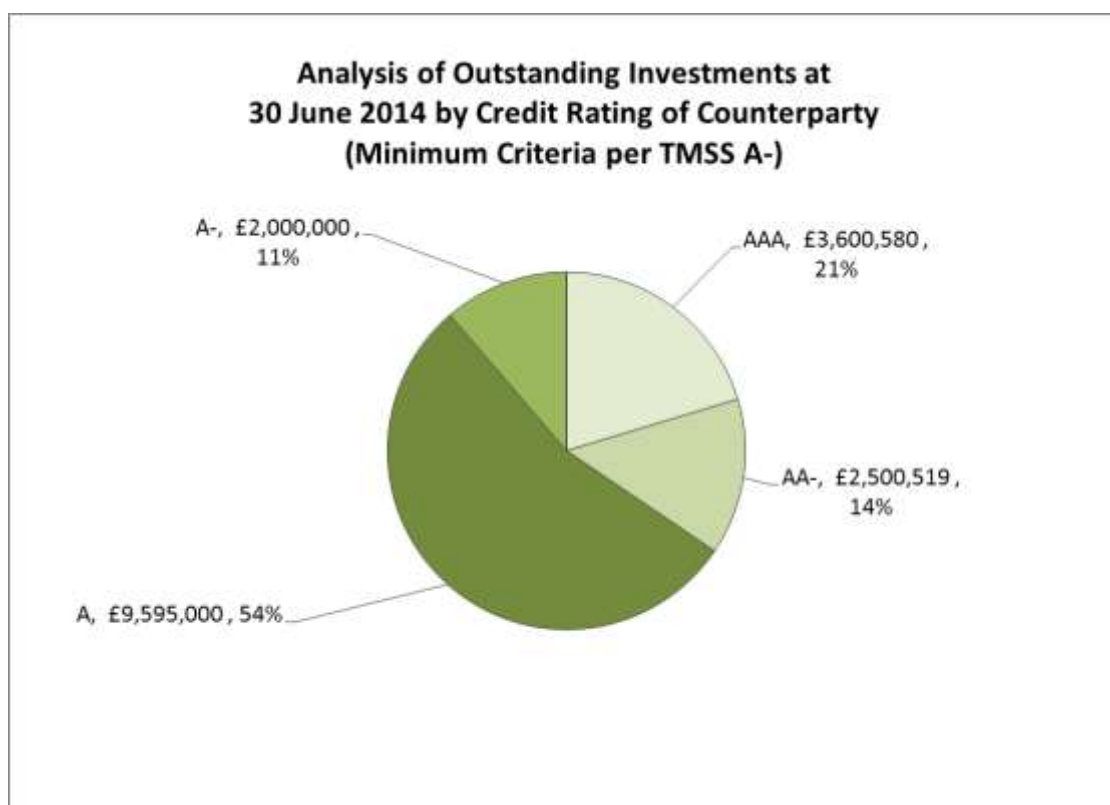
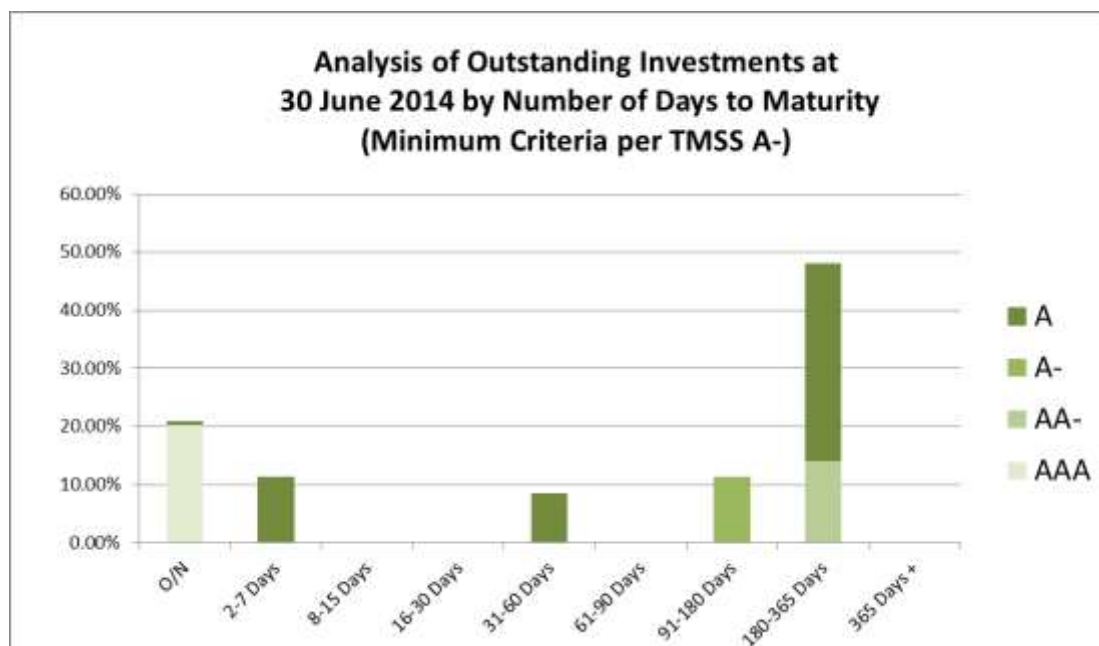
Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Major Banks & Building Societies							
Barclays	A	03/07/2013	03/07/2014	3	0.870%	1,500,000	
Barclays	A	09/05/2014	03/07/2014	3	0.386%	500,000	
Barclays	A	28/02/2014	27/02/2015	242	0.840%	1,000,000	3,000,000
Lloyds	A	11/02/2014	11/08/2014	42	0.700%	1,000,000	
Lloyds	A	08/05/2014	11/08/2014	42	0.570%	500,000	
Lloyds	A	03/04/2014	02/04/2015	276	0.950%	1,500,000	3,000,000
Nationwide	A	30/12/2013	30/12/2014	183	0.780%	1,500,000	
Nationwide	A	31/01/2014	30/01/2015	214	0.800%	2,000,000	3,500,000
Leeds	A-	08/07/2014	08/10/2014	100	0.300%	2,000,000	2,000,000
Svenska Handelsbanken	AA-	Various	On Demand	N/A	0.500%	2,500,519	2,500,519
NatWest (Liquidity Select Account)	A	30/06/2014	01/07/2014	O/N	0.250%	95,000	95,000
						14,095,519	14,095,519
Category 2 - Money Market Funds (AAA Rated)							
AIM	AAA	Various	On demand	O/N	Various	200,000	200,000
Fidelity	AAA	Various	On demand	O/N	Various	580	580
Goldman Sachs	AAA	Various	On demand	O/N	Various	900,000	900,000
IGNIS	AAA	Various	On demand	O/N	Various	2,500,000	2,500,000
						3,600,580	3,600,580
Category 3 - Other Local Authorities							
						0	0
Category 4 - Debt Management Office							
						0	0
						0	0
Total						17,696,099	17,696,099

Note – the credit ratings shown in the above table relate to the standing as at 30 June 2014, as discussed in the main body of the report, the ratings are constantly subject to change.

The TMSS sets limits for maximum investment with counterparties. These limits are currently set at £3m per institution/banking group in category 1 (total £18m category limit) and £3m per Money Market Fund in category 2 (total £15m category limit). The limit for other Local Authorities is set at £2m (no category limit) and there is no limit for investments with the DMO.

Looking at the table above it appears that there has been a breach of the Category 1 institution limit of £3m. There are two investments with the Nationwide Building Society that total £3.5m. At the time these investments were placed the category 1 limit was £4.5m per institution. Upon maturity the outstanding investments with the Nationwide Building Society will be managed down to within the new Treasury Management Strategy approved limits

Appendix 3

Analysis of Outstanding Investments as at 30 June 2014

Note – the credit ratings shown in the above charts relate to the standing as at 30 June 2014, as discussed in the main body of the report, the ratings are constantly subject to change.

Appendix 4

Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Commissioner to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached during the year. The Affordable Borrowing Limit is made up of two components; the *Authorised Limit* and the *Operational Boundary*.
- The Authorised Limit represents an upper limit for external borrowing that could be afforded in the short term but may not be sustainable. The figure includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Commissioner's Authorised Limit was set at £23.71m for 2014/15.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2014/15 was set at £22.21m.
- The actual amount of external borrowing as at 30 June 2014 was £Nil which is well within the above limits. No new external borrowings have been undertaken in the current financial year.

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Commissioner to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2014/15 £m	Actual Borrowing at 30 Jun '14 £m	Compliance with limits
Upper Limit for Fixed Rate Exposure	23.71	0.00	Yes
Upper Limit for Variable Rate Exposure	1.50	0.00	Yes

(c) Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/06/14 £m	% Fixed Rate Borrowing as at 30/06/14 %	Compliance with Set Limits?
Under 12 months	100	0	0.00	0	Yes
12 months and within 24 months	100	0	0.00	0	Yes
24 months and within 5 years	100	0	0.00	0	Yes
5 years and within 10 years	100	0	0.00	0	Yes
10 years and above	100	0	0.00	0	Yes

(d) Total principal sums invested for periods longer than 364 days

- This indicator allows the Commissioner to manage the risk inherent in investments longer than 364 days.
- The limit for 2014/15 was set at £5m.
- As at 30 June 2014, the PCC had three investments totalling £4.0m which were for a duration greater than 364 days at the time of investment. None of which have outstanding maturities greater than 364 days. Please see additional details within paragraph 3.3 above.



Joint Audit & Standards Committee

Title: Future Meeting Requirements

Date: 22 September 2014

Agenda Item No: 12

Originating Officer: Dawn Cowperthwaite

CC:

Executive Summary:

The Joint Audit and Standards Committee currently meet on a quarterly basis and receive reports from both the Office of the Police and Crime Commissioner and the Constabulary as well as internal and external audit. It is proposed that members consider a change to the schedule of meetings to incorporate an extra meeting at the beginning of May which would be used to reduce the bulk of reports usually discussed in the June meeting.

Recommendation:

That members' consider whether to amend the schedule of meetings to provide for an additional meeting in May and that members agree the arrangements for reports between the May and June meetings.

1. Introduction & Background

1.1 The Joint Audit and Standards Committee currently meet on a quarterly basis (March, June, September and December) with the option of an additional meeting if it is felt to be necessary. Following the acceptance of the Committee's new Terms of Reference and subsequent amendments to the Work Programme in March 2014 there has been an increase in the number of reports that the Committee have been asked to consider at the June meeting.

2. Issues for Consideration

Additional Meeting

- 2.1 In March a new terms of reference was reviewed and approved by the members of the Joint Audit and Standards Committee. The new terms of reference are consistent with the CIPFA guidance on Audit Committee's released in December and specifically included the optional areas of treasury management and standards functions. As a result of these changes there are now a larger number of papers to be considered by the Committee.
- 2.2 It is a requirement that the Committee consider the OPCC's and the Constabulary's governance documents at the June meeting and it is felt that as these constitute a weighty set of papers in themselves it would be more appropriate for the Committee to consider these alone at the June meeting and move any other items to an additional meeting in May. In order to avoid increasing work requirements it is also proposed that reports that are currently received by members on a quarterly basis continue to be presented on this meeting. This means that members would not receive at the May meeting the standard quarterly updates in relation to audit reports, the updated audit plan, monitoring of audit recommendations and the strategic risk registers. This would facilitate the May meeting providing a focus on all annual reports that review performance for the previous financial year.

Meeting Schedule

- 2.3 It has also been proposed that we look at where the meetings fall within the months in order to make the reports received as relevant and up to date as possible, rather than them being considered months after the period into which they fall. Meetings are currently held towards the end of the months of March, June, September and the beginning of December. It is proposed that the September and December meetings remain as they have been previously with the March, June and newly proposed May meetings being scheduled for the beginning of the months.

Suggested meeting dates for 2015/16

- 2.4 Below are suggested meeting dates for the 2015/16 financial year and are subject to amendment.

2nd March 2015

4th May 2015

22nd or 29th June 2015

21st September 2015

7th December 2015

3. Implications

- 3.1 Financial - the scheduling of an additional meeting would require payment of additional expenses to the members. However, for the last few years the members have requested an additional meeting in February, with the extra meeting in May it is felt that this meeting will most probably not be required going forward which would mean that there would be no change in the level of expenses claimed.

4. Supplementary information

- Appendix A – Work Programme as agreed in March 2014
- Appendix B – Proposed Work Programme following the implementation of an additional meeting in May

Appendix A

Joint Audit & Standards Annual Work Programme 2014/15

23 JUNE 2014	22 SEPTEMBER 2014	8 DECEMBER 2014	MARCH 2015
<p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>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. (CCCFO)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ANNUAL GOVERNANCE STATEMENT</p> <ul style="list-style-type: none"> ▪ Effectiveness of Governance Arrangements: To receive a report from the PCCCFO/PCC Chief Executive on the effectiveness of the PCC's arrangements for Governance/ To receive a report from the CCCFO on the effectiveness of the CC's arrangements for governance ▪ Code of Corporate Governance: To consider the PCC/CC Code of Corporate Governance ▪ Annual Governance Statement: To consider 	<p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>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. (CCCFO)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ANNUAL GOVERNANCE REPORT: To receive from the external auditors the Annual Governance Report incorporating the External Auditor's Value for Money Conclusion.</p> <p>FRAMEWORK OF ASSURANCE: To receive a report from the PCCCFO/Chief Executive in respect of the PCC's framework of assurance; To receive a report from the Deputy Chief Constable/CC in respect of the CC's framework of assurance. (PCCCFO or CE)</p>	<p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>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. (CCCFO)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ANNUAL REVIEW OF GOVERNANCE: To review the COPCC and Constabulary arrangements for governance; cyclical review over a three years covering:</p> <ul style="list-style-type: none"> ▪ Code of Corporate Governance ▪ Scheme of Delegation ▪ Scheme of Consent ▪ Financial Regulations ▪ Procurement Regulations ▪ Arrangements for Anti-Fraud and Corruption 	<p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>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. (CCCFO)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>RISK MANAGEMENT STRATEGY: To provide the annual review of the COPCC and Constabulary Risk Management Strategies. (CE or GM)</p> <p>INTERNAL AUDIT CHARTER: To receive a copy of the internal audit charter from the Internal Auditors.</p> <p>PROPOSED INTERNAL AUDIT PLAN FOR 2014/15: To receive a report from the Internal Auditors on the proposed Internal Audit Annual</p>

<p>the PCC/CC Annual Governance Statement for the financial year and to the date of this meeting</p> <p>■ Report of the Internal Auditor: Annual Governance Statement: To consider a report from the Internal Auditor reviewing the Annual Governance Statement for the financial year and to the date of this meeting (PCCCFO & CCCFO)</p> <p>EFFECTIVENESS OF INTERNAL AUDIT: To receive a report from the PCC Chief Finance Officer in respect of the effectiveness of internal audit.</p> <p>INTERNAL AUDIT –ANNUAL REPORT: To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion.</p> <p>ANNUAL REPORT OF THE AUDIT AND STANDARDS COMMITTEE: To receive a report reviewing the activities of the Committee as a contribution to the effectiveness of arrangements for governance</p> <p>RISK MANAGEMENT MONITORING: To receive an annual report from the Chief Executive on Risk Management Activity including the Commissioner's arrangements for holding the CC to account for Constabulary Risk Management. (CE or GM)</p> <p>ANTI-FRAUD AND CORRUPTION ACTIVITIES: To receive an annual report from the Chief Executive on activity in line with the arrangements for anti-fraud and corruption including the annual fraud risk assessment, information and action taken in respect of actual incidents of fraud and the outcomes from participation in the Audit Commission National Fraud Initiative. (CE or GM)</p> <p>MONITORING AND EFFECTIVENESS OF THE</p>	<p>ANNUAL STATEMENT OF ACCOUNTS: REPORT OF THE CHIEF FINANCE OFFICER: To receive an annual report from the PCCCFO and CCCFO setting out the arrangements for governance and audit relevant to the Committee's review of the Commissioner's accounts and the Chief Constable's accounts. (PCCCFO & CCCFO)</p> <p>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 (PCCCFO & CCCFO)</p> <p>PRIVATE EXTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the external auditors</p>	<p>■ Arrangements for Integrity including Codes of Conduct, Complaints and Integrity protocols (PCCCFO, GM? & CCCFO)</p> <p>HMIC REPORTS: To receive an annual report on the HMIC Value for Money Profile and arrangements for securing value for money & HMIC value for Money inspection reports. (CE or GM)</p> <p>ANNUAL AUDIT LETTER: To receive from the External Auditors the Annual Audit Letter and reports</p>	<p>Plan and any proposed revisions.</p> <p>EXTERNAL AUDIT PLAN: To receive from the external auditors the Annual External Audit Plan</p> <p>TREASURY MANAGEMENT STRATEGY: To review the annual the Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices. (DCFO)</p>
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<p>CODE OF CONDUCT: To receive an annual report from the Chief Executive with regard to the operation and effectiveness of the Code of Conduct (CE or GM)</p> <p>MONITORING AND EFFECTIVENESS OF THE PCC/OFFICER PROTOCOL: To receive an annual report from the Chief Executive with regard to the operation and effectiveness of the PCC/Officer Protocol (CE or GM)</p> <p>PRIVATE INTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the Internal Auditors</p>			
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Appendix B

Proposed Amendments to the Joint Audit & Standards Annual Work Programme 2014/15 and 2015/16

March 2015	May 2015	June 2015	September 2015	December 2015
<p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>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. (CCCFO)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>RISK MANAGEMENT STRATEGY: To provide the annual review of the COPCC and Constabulary Risk Management Strategies. (CE or GM)</p> <p>INTERNAL AUDIT CHARTER: To</p>	<p>RISK MANAGEMENT MONITORING: To receive an annual report from the Chief Executive on Risk Management Activity including the Commissioner's arrangements for holding the CC to account for Constabulary Risk Management. (CE or GM)</p> <p>ANTI-FRAUD AND CORRUPTION ACTIVITIES: To receive an annual report from the Chief Executive on activity in line with the arrangements for anti-fraud and corruption including the annual fraud risk assessment, information and action taken in respect of actual incidents of fraud and the outcomes from participation in the Audit Commission National Fraud Initiative. (CE or GM)</p> <p>MONITORING AND EFFECTIVENESS OF THE CODE OF CONDUCT: To receive an annual report from the Chief Executive with regard to the operation and effectiveness of the Code of Conduct (CE or GM)</p> <p>MONITORING AND EFFECTIVENESS OF THE PCC/OFFICER PROTOCOL: To receive an annual report from the Chief Executive with regard to the operation and effectiveness of the PCC/Officer Protocol (CE or GM)</p>	<p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>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. (CCCFO)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ANNUAL GOVERNANCE STATEMENT</p> <ul style="list-style-type: none"> Effectiveness of Governance Arrangements: To receive a report from the PCCCFO/PCC Chief Executive on the effectiveness of the PCC's arrangements for Governance/ To receive a report from the CCCFO on the effectiveness of the CC's arrangements for governance Code of Corporate Governance: 	<p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>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. (CCCFO)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ANNUAL GOVERNANCE REPORT: To receive from the external auditors the Annual Governance Report incorporating the External Auditor's Value for Money Conclusion.</p>	<p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>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. (CCCFO)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ANNUAL REVIEW OF GOVERNANCE: To review the COPCC and Constabulary arrangements for governance; cyclical review over a three years covering:</p> <ul style="list-style-type: none"> Code of Corporate Governance

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CUMBRIA POLICE AND CRIME COMMISSIONER

STRATEGIC RISK REGISTER

DATE: March 2013

VERSION CONTROL NO: 01/2013

Risk Mitigation Strategies:

- Avoid** : Stop the risk completely or stop it having an
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	
5	Very High	Very High	> 90% probability
4	High	High	65% > 90% probability
3	Medium	Medium	20% > 65% probability
2	Low	Low	5% > 20% probability
1	Very Low	Very Low	< 5% probability

Risk No.	Risk Description	Unmitigated Score			Mitigated Score			Risk Owner		Frequency of Assessment & Proposed Cycle	Date of Next Review
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner	Action Owner		
R1	Governance / Internal Control	5	4	20	4	2	8	Chief Executive	Chief Finance Officer	Annual	March 2015
R2	Strategic Finance	4	5	20	4	2	8	Chief Executive	Chief Finance Officer	Annual	March 2015
R3	Diversity	4	3	12	4	2	8	Chief Executive	Communication & Media Executive	Annual	March 2015
R4	Reputation	4	3	12	3	2	6	Chief Executive	Communication & Media Executive	Annual	March 2015
R5	Priorities and Objectives	4	5	20	4	3	12	Chief Executive	Partnership & Strategy Manager	Half Yearly	October 2014
R6	Consultation / Engagement	4	3	12	4	2	8	Chief Executive	Communication & Media Executive	Annual	March 2015

Scores

15 - 25	Quarterly Reviews
10 - 14	Half Yearly Reviews
9 or less	Annual Reviews

CUMBRIA POLICE AND CRIME COMMISSIONER STRATEGIC RISK REGISTER

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Risk Description	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions					Review Date
	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)		
R1 - Governance/Internal Control													
Failure of governance/internal controls resulting in risks materialising & potential for fraud, error, irregularity.	5	4	20	4	2	8	Chief Executive (reduce)	Internal control arrangements subject to annual review; Internal and external audit arrangements; Section 151 Officer post; annually reviewed financial regulations, procurement regulations, scheme of delegation and code of governance. Risk management strategy and risk register in place. Further assurance through Independent Audit and Standards Committee.		Review of the the control environment; specific internal audit investigation; implementation of revised control procedures.	Chief Finance Officer / Governance & Business Services Manager	Mar-15	
Decision making fails to take account of all relevant information and inherent risks or fails to follow procedure resulting in unexpected consequences/poor decision making or judicial challenge.	5	4	20	5	2	10	Chief Executive (avoid)	Reports are required to follow a specific format that takes cognisance of risk, financial, legal, HR implications etc. Reports are considered by the commissioners staff prior to decision making. Procurement Regulations are in place. The governance manager has responsibility for ensuring compliance with the requirements. The Chief Executive is the Commissioner's monitoring officer with oversight of the arrangements.	An annual report is to be presented to the Joint Audit & Standards Committee providing assurance on how risk is embedded within the OPCC processes and in particular it's decision making process. A risk workshop is to be held in the autumn of 2014 for all OPCC staff to ensure their knowledge and understanding is up to date.	Consider the need for any further or specialised training of staff as appropriate. Time allowing, reports will be returned to the author for the inclusion of implications within reports. Alternatively a decision will be deferred if it is felt that the information is not sufficient.	Governance & Business Services Manager	Mar-15	
Risk - Failure to hold the Constabulary to account for having robust governance/internal control arrangements including arrangements for managing risk.	4	4	16	4	2	8	Chief Executive (reduce)	Joint Audit and Standards Committee, Commissioners CFO leads on arrangements for internal audit for both organisations. The Commissioner requires the Chief Constable to adopt financial regulations & procurement regulations as part of the funding arrangements. Chief Constable must appoint a statutory CFO who is professionally qualified and has statutory/professional responsibilities. The Commissioners Governance & Business Services Manager has specific responsibilities with regard to assurance on Constabulary risk management practices.	An internal audit of the Constabulary and OPCC risk management is to be undertaken from September 2014. Any areas or issues identified will be considered an appropriate action taken.	A review would be undertaken to establish whether there are any weaknesses in the control framework that may need improving. Consideration would be given to further internal audit review either to investigate a specific area or as part of the annual audit.	Governance & Business Services Manager	Mar-15	

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REGISTER

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	Unmitigated Score			Mitigated Score				Actions				
Risk Description	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions Already Taken to Mitigate the Risk	Further Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date
R2 - Strategic Finance												
Failure to meet the statutory requirement to deliver a robust balanced budget.	4	5	20	3	2	6	Chief Executive (Reduce)	Medium term capital and revenue plans align resources and expenditure; balances and reserves annually assessed to ensure financial risks are provided for; in year monitoring ensures an understanding of actual costs and income against budget and provides information for future budget cycles; subscriptions to the technical information service ensures regular updates on funding assumptions at a national level and modelling on their potential local implications.	The most significant risk to balancing the budget is the current uncertainty pertaining to the police funding review. The assistant deputy CFO has been tasked with leading on this area of work. This will include financial modeling when further information is known.	Use of balances and reserves to manage any unexpected funding loss. Recruitment/expenditure freeze could be implemented to reduce costs and allow time for the delivery of planned savings.	Chief Finance Officer	Mar-15
Potential for challenge/judicial review on setting a legal budget:	4	2	8	3	1	3	Chief Executive (Reduce)	Annual community engagement exercise to determine priorities. Budget consultation process and service change constulation process for measures where public views should be sought. Procedure standing orders and professional input into all reports. Monitoring officer oversight of decision making process.		Legal advice would need to be sought on the likelihood of the challenge being successful. Implementation of an individual savings proposal may need to be put on hold and alternative savings sought or use of reserves pending the outcome of the challenge.	Chief Finance Officer	Mar-15
Failure to manage expenditure within the annual budget:	4	4	16	3	2	6	Chief Executve (Reduce)	Budget monitoring processes; accurate budget setting process; financial regulations/budget holder responsibilities; financial systems and processess provide for early identification of presssures and mitigating action; balances and reserves can be utilised.		fund overspend from balances and/or implement recrutment/expenditure freeze. Review the reasons for the overspend and make decisions on permanent mitigations.	Chief Finance Oficer	Mar-15
Failure to meet statutory, regulatory and professional requirements and dealines including the arrangement for the statement of accounts and arrangements for financial systems, monitoring, budgeting and other key processess. The inability to do this can result in reputational damage, poor internal control and an inability to comply with statutory and professional requirements.	3	5	15	3	2	6	Chief Finance Officer (Reduce)	Appropriately qualified and experience staff, detailed accounts closure process overseen by PCCCF0 and CCCFO, external auditors engage with and monitor the process, internal audit review underlying systems that produce the financial informtion to assure its reliability and robustness. The CFO and Deputy CFO will keep under review and advise on the level of finance staff required. The Financial Services team has been increased by 1FTE to provide a greater capacity and resilience. From March 2014, the team is now at full strength.		A fundamental review of the process and issues resulting in this risk materialising would need to be undertaken. This would aim to establish the underlying causes and ensure appropriate controls/resources are put in place in future years.	Deputy Chief Finance Oficer	Mar-15

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	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date
R3 - Diversity												
Failure to ensure OPCC / Constabulary effectively promote and take into account equality and diversity in developing policy / operational practices in line with the Equalities Act 2010	4	2	8	2	2	4	Chief Executive (Avoid)	Equality Analysis undertaken for all new policy / operational practices. Following consultation the Police & Crime Plan has been amended to focus on hate crime and this will then be linked to the performance framework. The police and Crime Commissioner has scrutinised the Constabulary performance at the Executive Board and a six monthly update is to be given by the Constabulary. As part of any decision forms considered by the Commissioner contain a section which would highlight any HR or Diversity issues.		To take appropriate advice from the Strategic Independent Advisory Group and the Constabulary Diversity Manager	Communications and Engagement Executive	Mar-15
Failure to meet statutory requirements and public expectations in respect of diversity, including the adoption and review of an Equality Scheme may lead to legal challenge, public criticism and/or loss of public confidence.	4	3	12	4	2	8	Chief Executive (Avoid)	Policies and procedures are in place to ensure statutory requirements are met. Subscriptions to national bodies ensure advice and guidance is available. An equality statement and strategy is used as the basis for compliance with the Equality Act.		Immediate action to address any issues of non-compliance and review of systems and processes for determining the cause of the failure to comply.	Governance & Business Services Manager	Mar-15
Failure by the OPCC to undertake an Equality Impact Assessment of its policies and understand the implications may result in particular groups and communities being adversely affected or discriminated against.	4	3	12	4	2	8	Chief Executive (Avoid)	Full equality impact assessments are included with PCC new policies and strategic decisions and are requested in respect of Constabulary policies/decisions.		Immediate action to address any issues of non-compliance and review of systems and processes for determining the cause of the failure to comply. Change policies as appropriate.	Governance & Business Services Manager	Mar-15
Failure to hold the Constabulary to account for their arrangements in respect of diversity may result in particular groups and communities being adversely affected or discriminated against.	4	3	12	4	2	8	Chief Executive (Avoid)	The requirements in respect of Constabulary equality practices and information is included in within the Constabulary/COPCC information sharing protocol and made a requirement of the PCC/Force funding agreement. The PCC holds the Chief Constable to account on a six monthly basis via the Executive Board. The Commissioner meets with the Constabulary's lead for Diversity on quarterly basis when issues can be raised and discussed.		Consider possible legal or financial penalties within the funding agreement.	Governance & Business Services Manager	Mar-15

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	Unmitigated Score			Mitigated Score				Actions				
Risk Description	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date
R4 - Reputation												
Failure to deal with conduct issues promptly, fairly and transparently could lead to a loss in confidence in systems and processes or public confidence.	4	3	12	3	2	6	Chief Executive (Avoid)	The PCC has adopted a code of conduct and ethical framework; independent audit and standards committee; membership of cumbria and lancashire standards group.		Review conduct issue and take corrective action. Communications and media support where the issue is public/reputational. Legal advice where appropriate.	Communications & media Executive	Mar-15
Failure to robustly deal with an incident that significantly damages the reputation or public perception of the OPCC and the Commissioner.	4	2	8	3	2	6	Chief Executive (Avoid)	The office of public engagement has an approved strategy. Reputational issues are discussed at weekly joint OPCC / Constabulary Comms Management meetings. Where necessary the OPCC will develop individual strategies to cover specific reputational issues.		Establish as soon as possible a Strategic Working Group with the Commissioner or Chief Executive as the lead. Challenge any misinformation or inaccuracies and be pro-active in getting information across in as many different forms as possible.	Communications & media Executive	Mar-15
Failure to scrutinise the Constabulary significantly that results in the Constabulary suffering damage to its reputation	4	2	8	3	2	6	Chief Executive (Avoid)	The office of public engagement has an approved strategy. Reputational issues are discussed at weekly joint OPCC / Constabulary Comms Management meetings		Strategic Working Group to be established with clear corporate objectives led by the Commissioner or Chief Executive. To be supported by a pro-action media strategy.	Communications & media Executive	Mar-15

CUMBRIA POLICE AND 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

STRATEGIC RISK REGISTER

Risk Score:	Impact	Likelihood
5	Very High	Very High > 90% probability
4	High	High 65% > 90% probability
3	Medium	Medium 20% > 65% probability
2	Low	Low 5% > 20% probability
1	Very Low	Very Low < 5% probability

	Unmitigated Score			Mitigated Score				Actions					
Risk Description	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date	
R5 - Priorities and Objectives													
Failure to achieve the organisational objectives and priorities set out within the Police and Crime Plan and Service Plan	4	5	20	4	3	12	Chief Executive (reduce)	Plans are monitored through out the year and areas of concern scrutinised/ challenged. Performance data and actions are carefully considered as to their deliverability when setting the plans. Dedicated Partnerships and Strategy Manager works closely with the Constabulary to consult and agree outcomes and the information requirements in-year to ensure delivery is on track. Performance monitoring arrangements are in place for the Constabulary. Funding agreements developed with partners which provide performance reporting arrangements.	Processes for monitoring delivery of the Police and Crime Plan are currently under annual review and will be amended to reprioritise and improve them. Staffing structure under review to align with priorities for the delivery of the Police and Crime Plan.	A fundamental review of the process and issues resulting in this risk materialising would need to be undertaken. This would aim to establish the underlying causes and ensure appropriate action is taken. The area of underperformance would be reviewed and appropriate action taken.	Partnerships and Strategy Manager (Constabulary performance)	Oct-14	

CUMBRIA POLICE AND CRIME COMMISSIONER STRATEGIC RISK REGISTER

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VERSION CONTROL NO:

STRATEGIC RISK
REGISTER

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	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date
R6 - Consultation / Engagement												
There is a risk that the Office of Public Engagement doesn't deliver in line with its agreed strategy and this negatively impacts on the effectiveness of the OPCC and the reputation / public perception of the OPCC and the Commissioner this includes (community engagement, communications, complaints/standards) There is a risk that the OPCC may not have sufficient capability and capacity to deal with a major incident.	4	3	12	4	2	8	Communication and Media Executive (Avoid)	A Community Engagement Strategy is reviewed on an annual basis. The strategy encompasses consultation to gain public perception on such areas as local policing priorities. It includes a media strategy. The assistance of the Constabulary's Independent Advisors' Group and external agencies may be used to ascertain how best to engage and communicate with some hard to reach groups. Consultation with a wide range of members' of the public takes place throughout the year with half yearly reports to the Executive Board and linked to the setting of the policing priorities.		There is a comprehensive Office of Public Engagement strategy that covers all of the relevant areas of Communications / Community Engagement, Complaints / Standards with key deliverables over a rolling program of the next year and the following 3 years. This is supported by weekly updates to media and six monthly complaint / Standard and community engagement reports as well.	Communication & Media Executive	Mar-15
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.	4	3	12	3	2	6	Communication and Media Executive (Avoid)	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.		Legal and communications advice to manage the risk.	Community Engagement Manager	Mar-15
Risk of failure to comply with legislation and regulations in respect of requirements for statutory reports, publications and information.	4	2	8	4	1	4	Comms and Media Executive (Reduce)	Communications & Engagement Executive ensures that the statutory publication requirements of the annual report and Police and Crime Plan are met and kept under review. Post of Governance & Business Services 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.		Take immediate action to provide the required information. Review of systems and processes to determine the reasons for failing to meet requirements.	Governance & Business Services Manager	Mar-15



Joint Audit and Standards Committee

TITLE OF REPORT:	Constabulary Quarterly Risk Management Update
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DATE OF MEETING:	22nd September 2014
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ORIGINATING OFFICER:	Julie Johnstone, Strategic Development Manager
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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 the quarterly update to 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 has been updated to reflect the latest situation.

In June 2014, the Committee was advised of the outcome of a risk management audit undertaken by the Constabulary's insurers, Gallagher Bassett. Their report contained 5 recommendations, all of which have been addressed during a recent risk management policy review and by updating the strategic risk register template.

Recommendations:

That the Audit and Standards Committee:

1. Note the Constabulary's current strategic risks.
2. Note the actions taken by the Constabulary to address the recommendations that arose from the recent risk management audit carried out by Gallagher Bassett.

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 Operations Board (Joint Crime and Territorial Policing Board) and significant strategic business risks are managed in the relevant business department and via the Business Board. 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 and should be few in number. Best practice indicates that the number should be between 5 and 10.

In his Annual Statement of Corporate Governance, the Chief Constable determined the strategic direction for the Constabulary that 'Community Policing is Our Priority'. Following public consultation, 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 organisations' strategic risks, the following 6 objectives were identified as key in reducing 'threat, risk and harm' and tackling our communities' concerns:

1. Reduce the harm caused by domestic abuse, sexual assault and child exploitation, encouraging people to report to the police.
2. Respond to vulnerable adults and children who go missing from home.
3. Deal with alcohol related crime and antisocial behaviour in our communities.
4. Tackle drug supply across the county.
5. Keep crime at the current low levels, especially burglary, theft and violent crime.
6. Deal with antisocial behaviour in our communities.

In February 2014, the Constabulary's insurers Gallagher Bassett completed an audit of the Constabulary's risk management arrangements and found them to be 'satisfactory'. The report made 5 recommendations (shown below), all of which have been completed and incorporated within the revised risk management policy and an updated strategic risk register template. The risk management policy is currently out for consultation with key stakeholders across the Constabulary and will be submitted for approval at the Constabulary's next Business Board meeting on 15th September 2014.

The recommendations made were as follows:

Recommendation	Action Taken
1. Provide clarity on the objectives to be used when carrying out a risk assessment process.	The objectives to be used will be those stated within the Chief Constable's Annual Statement of Corporate Governance (see above) as approved by the PCC. The risk management policy and the strategic risk register template have been amended to address this.

Recommendation	Action Taken
2. Provide clarity on the risk appetite of the organisation	This has been incorporated in the revised risk management policy which is currently being consulted on.
3. Clearly linking, by referencing, all risks to the objectives they are aiming to protect.	This has been addressed by amending the strategic risk register template. Any changes to objectives will be refreshed annually in the Chief Constable's Annual Statement of Governance.
4. Categorise risks under the heading PESTELO thereby grouping similar risk together and better management of similar risks and controls etc.	A PESTELO analysis is completed on a quarterly basis.
5. Develop risk metrics to inform management if risks are increasing or decreasing and assurance that risk control measures are effective and being maintained.	The Police and Crime Commissioner's Accountability Framework is considered sufficiently comprehensive to address this requirement. This comprises the Performance Management Framework and the annual Constabulary Reporting Schedule which together provides the OPCC with quantitative and qualitative performance information. This has been incorporated in the revised risk management policy.

The challenging environment the Constabulary operates in requires it to not only consider the context for managing risk but to continually identify new risks that emerge, and make allowances for those risks that no longer exist. A risk can be escalated to the Chief Officer Group for consideration as a strategic risk at any time. To support this, a tracking database is kept up to date for the Strategic Risk Register to provide an audit trail of the risks that are removed or remitted to the operational and departmental risk registers. Full details of the Constabulary's risk management processes can be found in the risk management policy.

The strategic risks identified by the Constabulary are concerned with the implications of longer-term reduction in budget, delivery of the required change, performance and productivity of police officers and the integrity of police officers and staff. The risks, their mitigating actions and the action owners, were last reviewed and approved by Chief Officers on the 5th September 2014.

The table overleaf outlines the Constabulary's 5 strategic risks and provides the RAG rating (Red, Amber, and Green) for each risk (**RAG risk rating = impact x likelihood**) and which Constabulary objectives they link to (as outlined previously on page 2).

Appendix 1 of this report provides a copy of the Constabulary's risk scoring matrix.

Strategic Risk Register

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Priority	Link to Strategic Objectives
22	The Chief Constable & Chief Financial Officers for the Police & Crime Commissioner	<p>The current funding gap continues to increase due to:</p> <ul style="list-style-type: none"> • local and national financial sources reducing and/or, • greater than projected increases in expenses (for example pay and inflation), and • the removal of the police allocation damping mechanisms , and • the Government's statement about austerity continuing until early 2020s. <p>It this risk occurs, the Constabulary would have to find and deliver further savings in addition to those already planned, resulting in a significantly reduced number of officers and staff and significant detrimental impact on police services delivered to the public.</p>	High	High	16	All
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, in particular the reliance on IT to deliver systems which improve officer productivity and reduce manual intervention in processes. If this risk occurs the Constabulary would have to find further savings from within the Constabulary.	High	Medium	12	All
11	Assistant Chief Constable and Director of Corporate Improvement	The Constabulary's performance may be adversely affected due to the significant level of change across the Constabulary as a whole. This may result in adverse publicity and reputational damage, and potential direct intervention from Her Majesty's Inspector of Constabulary (HMIC).	Medium	Medium	9	All

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Priority	Link to Strategic Objectives
23	The Deputy Chief Constable and Head of Professional Standards	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.	Medium	Low	6	All

Risk Tolerance Levels		
<u>Risk Score 1-4</u> Acceptable. No action is required but continue monitoring.	<u>Risk Score 5-12</u> 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.	<u>Risk Score 15-25</u> Unacceptable. Urgent attention is required. Investigate and take steps to mitigate or avoid within a specified short term.

The main strategic risk for the Constabulary is financial. This is recognised as a high priority risk (red) and has been on the register for some time, which is a situation likely to continue.

The Constabulary has carried out the following actions to help reduce the impacts associated with these risks if they were to occur.

- The potential decrease is modelled in the Medium Term Financial Forecast which is based on prudent assumptions. The MTFF sets resource parameters to deliver police services and workforce, asset and change planning determine how these will be linked to balance resource allocation and provide effective police service.
- The MTFF is regularly updated and refreshed, using information from a range of sources so that it is as up to date as possible.
- Links between the Chief Financial Officer and Change Programme are defined, robust and regular.
- There is robust management of officers and staff via the Workforce Plan, which has strategic importance, is developed to 2020 and determines the Constabulary's recruitment strategy.
- The Workforce Plan is updated monthly, based on the latest information available.
- The Change Programme informs the Workforce Plan and links between HR and the Change Programme are defined, robust and regular.
- The Constabulary has developed a substantial Change Programme up to 2018-2019, These are contained and detailed within a Change Strategy which supports and aligns with the Chief Constable's strategic vision.
- Development and delivery of asset strategies, with twin aims of meeting business need and reducing costs. In particular the IT strategy, which seeks to digitise processes and deliver and enable officers to be out of stations to undertake duties so that they can be more productive and efficient- thereby reducing the number of officers required.
- Zero based budgeting applied annually and robust and regular financial reporting delivered.
- Strengthened and effective governance which is strategic and cross cutting, ensuring that risks and interdependencies are managed and benefits are delivered.
- Longer term change plans to 2020/21 are being developed.
- More accurate turnover forecasting is being developed.
- The Constabulary has recently carried out a piece of work to gain a comprehensive understanding of its operational demand to identify how policing services could be delivered with fewer officers and how demand could be reduced. Following this, an action plan has been produced to address the findings of this work and is being delivered.

2. Issues for Consideration

2.1 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.

2.2 Consultation processes conducted or which needs to be conducted

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

2.3 Impact assessments and implications on services delivered

Not applicable- described in the risk register where appropriate.

2.4 Timescales for decision required

On the 15th of September 2014, the Extended Chief Officer Group reviewed and approved the Constabulary's current risks.

2.5 Internal or external communications required

Corporate Improvement ensures that any changes or decisions made are communicated to the relevant stakeholder(s).

3. Financial Implications and Comments

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

4. Legal Implications and Comments

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

5. Risk Implications

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

6. HR / Equality Implications and Comments

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

7. ICT Implications and Comments

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

8. Procurement Implications and Comments

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

9. Supplementary Information

9.1 List any relevant documents and attach to report

Appendix 1	Risk Scoring Matrix
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9.2 List persons consulted during the preparation of report

As identified in Section 4.2.

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