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Our reference: DM

Date: 22 June 2016

## **AGENDA**

**TO: THE MEMBERS OF THE JOINT AUDIT AND STANDARDS COMMITTEE**

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

A Meeting of the Joint Audit & Standards Committee will take place on **Thursday 28<sup>th</sup> July 2016** in **Conference Room Three**, Police Headquarters, Carleton Hall, Penrith, at **1:00pm**.

**S Edwards**  
**Chief Executive**

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

Please note – there will be a private meeting with the new Police & Crime Commissioner at 10.00am and a private meeting with External Audit at 11.00am.

### **COMMITTEE MEMBERSHIP**

Mrs Fiona Daley (Chair)  
Mr Andy Hampshire  
Mr Jack Jones  
Ms Fiona Moore

## **AGENDA**

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

**1. APOLOGIES FOR ABSENCE**

**2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC**

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

**3. DISCLOSURE OF PERSONAL INTERESTS**

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

**4. MINUTES OF MEETING AND MATTERS ARISING**

To receive and approve the minutes of the committee meeting held on 3 May 2016 (copy enclosed)

**5. ACTION SHEET**

To receive the action sheet from previous meetings (copy enclosed)

**6. CORPORATE UPDATE**

**7. AUDIT FINDINGS REPORT**

To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion.

**8. ANNUAL STATEMENT OF ACCOUNTS – POLICE AND CRIME COMMISSIONER**

To receive reports from the Chief Finance Officer for the Police and Crime Commissioner (copies enclosed)

(i) Report of the Chief Finance Officer: Assurance Framework

(ii) Annual Statement of Accounts

*(To be presented by the PCC Chief Finance Office)*

**9. ANNUAL STATEMENT OF ACCOUNTS – CHIEF CONSTABLE**

To receive reports from the Chief Finance Officer for the Chief Constable (copies enclosed)

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

*(To be presented by the CC Chief Finance Office)*

**10. INTERNAL AUDIT – PROGRESS REPORT**

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

**11. MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS**

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

**12. STRATEGIC RISK REGISTER**

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

**Future Meeting Dates (For Information)**

7 September 2016 @ 10:00 – Conference Room 2

18 October 2016 – Members Day/Policing Induction

24 November 2016 @ 13:00 - Conference Room 2

March 2017 - TBC

May 2017 - TBC

July 2017 - TBC

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**Agenda Item 4**

**CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY**

**JOINT AUDIT & STANDARDS COMMITTEE**

Minutes of a Meeting of the Joint Audit & Standards Committee held on Tuesday 3<sup>rd</sup> May 2016  
in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 10.15 am

**PRESENT**

Mrs Fiona Daley (Chair)

Mr Jack Jones

Ms Fiona Moore

Mr Andy Hampshire

**Also present:**

Deputy Chief Finance Officer (Michelle Bellis)

Engagement Lead, Grant Thornton (Fiona Blatcher)

Financial Services Assistant – Revenue and Systems (Dawn Cowperthwaite)

Chief Constable (Jeremy Graham)

Governance & Business Services Manager (Joanne Head)

Commissioner's Chief Finance Officer (Ruth Hunter)

Chief Constable's Chief Finance Officer (Roger Marshall)

Police and Crime Commissioner (Richard Rhodes)

Group Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Niki Riley)

Deputy Chief Constable (Michelle Skeer)

Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Emma Toyne)

Lead Auditor, Cumbria Shared Internal Audit Service, Cumbria County Council (Sarah Wardle)

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

**236. APOLOGIES FOR ABSENCE**

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

**237. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC**

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



### 238. DISCLOSURE OF PERSONAL INTERESTS

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

### 239. MINUTES OF MEETING AND MATTERS ARISING

The minutes of the meeting held on 9 March 2016 had been circulated with the agenda. It was requested that some wording on items 228 and 234 of the minutes be amended. All members agreed they were happy with this and the Chair agreed to sign the minutes after the amendments had been made.

**RESOLVED,** that, the minutes of the meeting held on 9 March 2016 be approved.

### 240. ACTION SHEET

The action sheet of the meeting held on 9 March 2016 had been circulated with the agenda. The following comments were made.

- Action 218 - The Chief Constable's Chief Finance Officer (CFO) gave an update on a member's suggestions surrounding this. A member requested to look at this in more detail and the Constabulary's CFO agreed to circulate it to all members.
- Action 224 – The Deputy Chief Constable (DCC) spoke to the Business Manager who sits on the Safer Cumbria Partnership regarding this and confirmed that the outstanding recommendations were not part of the DCC's list to be monitored. The Chair commented that the question about who is monitoring this needed to be answered. The Chair asked if External Audit would be looking at the implementation of these partner focused recommendations. The Chair commented that this was actioned for September and they were just looking for an update. The Chair summarised that there were some recommendations out there but that they were looking for Governance arrangements for ensuring the recommendations are being implemented or monitored.
- Action 227 – This had been completed.
- Action 228 – This had been completed.
- Action 225 – The Deputy Chief Finance Officer (CFO) confirmed that an email had been sent to members.

**RESOLVED,** that, the (i) report be noted,

### 241. CORPORATE UPDATE

The DCC gave an update on the PDR process. Continuous Professional Development (CPD) was launched for Chief Officers and PC's in April 2016 and this would then follow on for the remaining officer's and staff. A complete revamp of the five and fifteen week performance review process was taking place to ensure that it was corporate and consistent, this would be



linked to the business plan and there would be a central repository for completed review forms. An implementation plan has been put in place for the roll out of the appraisal system.

The Chair requested clarification regarding performance appraisals. The DCC confirmed that PSD staff were receiving five and fifteen week reviews and that this was on SharePoint. A member asked the DCC if this was a problem throughout the organisation. The DCC confirmed that performance management was embedded across the force. The five and fifteen week reviews would provide an extra level of assurance. The member commented that the Annual Governance Statement (AGS) needed revisiting regarding the wording surrounding performance management as this cannot be said to be embedded within the force if it does not apply to every individual. The Constabulary's CFO accepted that the report could be more transparent on this and that they would amend the wording in the AGS to reflect this.

The Chair requested confirmation of what assurance the committee was going to receive in 2016/17, was it going to be looked at by Audit in 2016/17 and if not were the OPCC going to put it in the audit plan? The Commissioner's Chief Finance Officer (CFO) suggested that statistics could be provided for this year and it could be put in the 2017/18 audit plan. The Chair confirmed that this would be on the 2017/18 audit plan.

Note – 11:00am – The Group Audit Manager left the meeting at this point.

The DCC provided an update on the implementation of Case and Custody and the Big 6 / Plan on a Page. A member asked if the Constabulary had a measure of how well the Constabulary was performing against this plan. The DCC agreed to look at this. The OPCC CFO agreed to review how performance against the plan could be included in the OPCC accountability framework.

## **242. EXTERNAL AUDIT FEES**

The Engagement Lead presented the audit fees and payment schedule letters for both the OPCC and the Constabulary. They advised that the fees had been set by the Audit Commission and would remain the same as last year.

**RESOLVED,** that, the (i) reports be noted

## **243. OPCC RISK MANAGEMENT MONITORING**

The Governance and Business Services Manager (GBSM) presented the annual report detailing the monitoring of Risk Management within the OPCC. They advised that the risk management strategy was used to develop risk monitoring which was carried out in a variety of ways. The risk based audits which internal audit now carry out were found to be very useful.

The Chair asked if there were any comments from members, the members advised that they were happy with the report.



**RESOLVED,** that, the report has been reviewed and noted;

#### **244. OPCC ANTI-FRAUD AND CORRUPTION ACTIVITIES**

The GBSM presented reports relating to the effectiveness of OPCC Anti-Fraud and Corruption monitoring. The report detailed the work that was carried out throughout the year and whether there were any identified corruption and fraud, nothing had been identified throughout the year.

The Chair commented that this was good news and asked members if they were happy with the report. A member requested confirmation relating to the dates in paragraph 2.5, the GBSM confirmed that the dates should say April 2016. There were no other comments and the Chair said that they were happy with the arrangements there.

**RESOLVED,** that, the report has been reviewed and noted;

#### **245. ETHICS AND INTEGRITY GOVERNANCE**

The GBSM presented a draft annual report from the Ethics and Integrity panel which detailed work that has been carried out during the previous year, advising the Committee that the report would go to the Ethics & Integrity panel the following day. The GBSM suggested that if it was beneficial for this committee to have such assurance they could look to make the report run from February to February instead of May to May so that in future it would be brought in to this meeting as a final report.

The Chair commented that in terms of governance it was difficult to say yes on a draft report, the suggestion that the time table be changed was welcome.

A member suggested that it might be useful to have the panel members listed in the report and that the term dip sampling may not have been understood by everyone so a short explanation may be useful.

The Chair commented that the report was noted and they would like to accept the suggestion that the final report be brought to next year's meeting. The finalised report is to be circulated to members.

**RESOLVED,** that, the report be noted.

#### **246. INTERNAL AUDIT – ANNUAL REPORT**

The Audit Manager presented the annual report for 2015/16 which summarised the outcomes of the work of internal audit and included the Head of Internal Audit's opinion on the



effectiveness of the Police and Crime Commissioner's and Chief Constable's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards. The key points are given below:

- The audit of the Safeguarding hub will be completed during 2016/17. This does not impact on our ability to provide an annual opinion.
- A total of 17 audit reviews have been finalised. This represents 94% of the planned audit work for the year.
- Of the 17 audits completed in the year, 15 contributed to the organisations' overall assurance. 14 of the 15 audits received reasonable or higher assurance. We consider this to be a very positive outcome. For the one audit receiving less than reasonable assurance (Duty Management System) there has been regular reporting, to the Joint Audit and Standards Committee, on progress in implementing the recommendations. Time has been included in the 2016/17 internal audit plan to follow up this audit.

The Head of Internal Audit stated that they were "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."

A member commented that in paragraph 4.2 it should be the Chief Constable not the Constabulary's senior management, the Audit Manager confirmed that this was an error. The member also commented on the lack of enthusiasm surrounding returning feedback forms and asked if senior managers understood the benefits of the work of internal audit. The DCC commented that this was mainly due to work levels and that senior managers mainly understood the importance of internal audit.

**RESOLVED,** that, the report be noted.

Note – 11:35am – The Chief Constable (CC) and the Police and Crime Commissioner (PCC) joined the meeting.

The Chair suggested that as the CC and PCC had joined the meeting it might be sensible for the next few papers to be considered out of order so as allow the CC and the PCC to hear the views of the committee. This was agreed by all at the meeting.



#### **247. ANNUAL GOVERNANCE STATEMENT – OPCC**

The Chair requested that members consider the OPCC Annual Governance Statement for the financial year. The Chair asked for any comments. The Commissioner's Chief Finance Officer (CFO) commented that the parts highlighted in yellow at the time of writing the report were still subject to being received at committee. The Chair commented that they have received all this information throughout the year and were happy that it was consistent with the annual governance statement, they were content with the report as it was presented. A member commented that they were very happy with the detail.

**RESOLVED,** that, the report be noted.

#### **248. ANNUAL GOVERNANCE STATEMENT – CONSTABULARY**

The Chair requested that members consider the Constabulary AGS for the financial year. The Chair commented that they were very pleased to hear from internal audit that there were no major issues and that they were happy to give a clean opinion. The committee had discussed with the DCC the performance management arrangements and to the extent that those were fully embedded within the constabulary. The Chair commented that the current arrangements didn't apply to all staff and that perhaps performance management arrangements weren't as robust as they should be which the committee felt was an important matter. The members received reassurance from the DCC that this would be in place from the 1<sup>st</sup> September 2016 and they fully acknowledged that they were moving in the right direction but that they respectively suggest that the annual governance statement contained some acknowledgment that the performance management arrangements have not applied to all staff during the year as they feel this is more transparent and to consider this being included into the 2016/17 or 2017/18 audit plan. The CC commented that they had no problem with amending the AGS as suggested and that they were very keen to set a meaningful performance management regime.

The Chair asked for any further comments from members. A member commented that it may be useful to include the percentage increase of crime on page 6 of the report. A member raised a question on the financial rules which have been taking some time to complete. The Constabulary's CFO commented that it was a significant job and that this was related to capacity and time to complete it and that the format had significantly changed. The Constabulary's CFO said that the committee could be given assurance that the first draft was now available and the intention was to submit it for consultation as soon as possible. There were no further comments from members.

**RESOLVED,** that, the report be noted.

Note – 11:55am – The CC and the PCC left the meeting.



#### **249. EFFECTIVENESS OF INTERNAL AUDIT**

The Commissioners CFO introduced the annual report into the effectiveness of the Internal Audit arrangements. They stated that their opinion was that the organisation do have effective arrangements in terms of Internal Audit, and asked the committee if they wanted to make any recommendations.

The Chair commented that it might be beneficial to get external perspectives on how the committee could improve to ensure the job was being done as well as it could be. The Commissioner's CFO suggested that towards the end of 2016/17 they could ask internal audit, external audit the PCC and CC for a formal comment in writing which could be incorporated into a report. The Chair agreed that this would be helpful.

**RESOLVED,** that, the report be noted.

#### **250. ANNUAL REPORT OF THE AUDIT AND STANDARDS COMMITTEE**

The Chair presented the annual report of the Joint Audit and Standards Committee for 2015/16. The process is that this report now goes to the police and crime panel so assurance can be given surrounding what the committee does. The Chair thanked the Commissioner's CFO and the deputy CFO for the work done on the report and asked for any comments from members. There were no comments.

**RESOLVED,** that, the report be noted.

#### **251. TREASURY MANAGEMENT ANNUAL REPORT/ACTIVITIES**

The Deputy Chief Finance Officer presented a report on the Treasury Management Activities in the final quarter of the year and a brief annual report for 2015/16.

The Chair asked if there were any questions, there were none.

**RESOLVED,** that, the report be noted;

#### **252. ANNUAL GOVERNANCE STATEMENT – OPCC**

The Audit Manager presented the Internal Audit report of the AGS for the OPCC. This report summarised the findings from the audit of the OPCC's AGS for 2015/16. There was one medium priority recommendation that management had provided an appropriate response to. The Chair asked for any questions. A member commented that they welcomed the approach and that a lot of the detailed work in examining the statements of the PCC and CC was done by someone else for them.



The Commissioner's CFO presented a report on the effectiveness of the PCC's arrangements for Governance. The Commissioner's CFO highlighted that the format of the structure of the AGS had been amended due to last year's feedback from committee. The Commissioner's CFO also highlighted the new Code of Corporate Governance for 2016/17. The Chair asked for any comments on the report before they looked at the code. There were no comments on the report. The Chair commented on some of the wording in the foreword which may need to be amended dependant on the newly elected PCC. A member asked a question in relation to Principle C which seems different to how it used to be. The Commissioner's CFO confirmed that it was very different and that the guidance at the moment had a whole section on sustainability but they felt that this code was more aligned to local authorities as a whole whereas the previous code seemed to be more directly accord to policing. The Chair thanked the Commissioner's CFO for the report.

**RESOLVED,** that, the report be received and accepted.

### **253. ANNUAL GOVERNANCE STATEMENT – CONSTABULARY**

The Audit Manager presented the Internal Audit report of the AGS for the Constabulary. This report summarised the findings from the audit of the Constabulary's AGS for 2015/16. There were four medium priority recommendations that management had provided a response to.

The Constabulary's CFO commented on the well-being strategy and the recommendation in relation to this that it was just being implemented at the end of the year and had not been formally approved but that the statement would be amended to clarify that. The Chair noted that and the amendment in relation to PDR's.

The Constabulary's CFO presented a report on the effectiveness of the Constabulary's arrangements for Governance. The Chair asked for any comments on this report. A member commented that it was clear. The Chair asked for comments on the code of corporate governance. The Chair commented on the wording in the introduction to the code which mentions 'The Police and Social Responsibility Act' and asked if it should not be 'The Police Reform and Social Responsibility Act'. The Constabulary's CFO confirmed that it should be. There were no further comments.

The Chair asked for any comments on the AGS. The DCC asked if the Chair would like an email sent regarding the wording of performance management being embedded. The Chair confirmed that they would. A member commented on the development of a delivery plan for the strategic alliance with Lancaster Constabulary and the risks attached to that. The DCC commented that this was often to do with joined up functions and what Cumbria was doing being related to areas of scope and all of this is risk based, this has also been set up so that if they want to separate this is easy to do, they can also form different strategic partnerships.

**RESOLVED,** that, the reports be noted subject to the highlighted corrections;



## 254. INTERNAL AUDIT REPORTS

### (i) Code of Ethics

Internal Audit undertook a review of the Code of Ethics, an overall level of assurance of 'reasonable' was given.

A member commented that responses were slightly abrupt and there didn't seem to be a specific person responsible for ethical behaviour. The member felt slightly uncomfortable with the level of the management response. The DCC gave some reassurance that the responsibility for ethical behaviour had always been with the head of professional standards but it was a Detective Superintendent and that it had been elevated up to a Chief Superintendent but that this audit was during the interim period. In regards to training if there was a failure to take up the training this would be picked up in the governance structure and operations boards, the problem related to people who had been away from work. The Chair commented that more information could be put in the box entitled 'Comments from the senior manager' to give the committee a sense of how seriously this was being taken.

### (ii) Follow up of property handling

The Chair asked for any comments on this report. A member commented on the fewer number of items in property. The DCC advised that stopping taking in lost and found property has had a huge impact on this.

### (iii) Main financial systems: Police Pensions

The Chair asked for any comments on this report. A member asked for clarification surrounding the recommendation and if this related to the procedure as opposed to whether the quality checks were being done. This was confirmed as being related to the procedure.

### (iv) Main financial systems: Creditors

The Chair commented on the supplier maintenance recommendation and asked if this had been completed as it wouldn't appear on the monitoring report. It was confirmed that this would be put on the next monitoring report, as a completed recommendation.

### (v) Surrendered and Seized Firearms

The Chair asked for any comments on this report. A member asked about the action and it was confirmed that this would be put on the monitoring sheet. A member asked about the management response surrounding not giving receipts for property. The DCC confirmed that the giving of receipts had now been put in place for surrendered firearms but that this wasn't done for other property as it is already in the register. The Chair asked about the firearms recovery procedures and how often these were reviewed. The recommendation was for this to be kept up to date. The DCC confirmed that all procedures had now been brought together in



one document and would be distributed to all front counter staff and this document would contain a review date. There were no further questions on the report.

**RESOLVED,** that, the report be noted.

**255. JOINT AUDIT PLAN UPDATE FOR THE POLICE AND CRIME COMMISSIONER FOR CUMBRIA AND THE CHIEF CONSTABLE FOR CUMBRIA CONSTABULARY**

The Engagement Lead introduced the Audit Findings Report for both the Commissioner and the Chief Constable. No new issues had been identified. Attention was brought to the impending change within the audit team and it was requested that the audit finding report be provided a little late, by the 25<sup>th</sup> July 2016 for the next audit committee meeting on the 28<sup>th</sup> July 2016. This was agreed by the members. A member asked about the two significant risks in value for money and if updates would be provided throughout the year. The Engagement Lead confirmed that this would be reported on in the 2015/16 audit findings report which would be received in July. The Chair asked for any further comments, there were none.

**RESOLVED,** that, the reports be noted

**Meeting ended at 13.00 pm**

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

# Joint Audit & Standards Committee – Action Sheet

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
<b>DATE OF MEETING: 9<sup>th</sup> March 2016</b>					
218	Item 4 – Minutes of Meeting and Matters Arising Members asked for further clarification surrounding late tenders. Roger Marshall to liaise with Les Hopcroft. Les Hopcroft to redraft and circulate by email clarification to all members.	Les Hopcroft / Roger Marshall	June 2016	Email discussions have taken place it is proposed that a discussion to agree final wording takes place as part of AOB at the July meeting.	On-going
224	Item 10 – Joint Audit and Standards Committee update Michelle Skeer to look into why the HMIC report on Local Criminal Justice Partnerships is not on the HMIC inspection list	Michelle Skeer	September 2016	Michelle Skeer to provide an update at the meeting.	On-going
224	Item 10 – Joint Audit and Standards Committee update Richard McGahon to liaise with Stuart Edwards and Roger Marshall regarding the HMIC report on Local Criminal Justice Partnerships and if this is going to be taken forward in their audit	Richard McGahon	September 2016	As above.	On-going
231	Item 17 – Monitoring of Audit, Internal Audit and other recommendations and action plans Roger Marshall to provide an update at the next meeting on items with a red status.	Roger Marshall	July 2016		On-going
<b>DATE OF MEETING: 3<sup>rd</sup> May 2016</b>					
232	Item 6 – Corporate update Wording to be amended in AGS regarding performance management being embedded across the force. Email to be sent to members confirming wording.	Roger Marshall / Michelle Skeer	Immediate	AGS wording was updated and agreed with JASC members and incorporated into the version published as part of the draft SOA.	Complete
233	Item 6 – Corporate update Performance management statistics to be provided for 2016/17 and put in audit plan for 2017/18	Michelle Skeer / Emma Toyne	April 2017		On-going
234	Item 6 – Corporate update Measure of how well constabulary performing against big six plan	Michelle Skeer	September 2016	Michelle Skeer to provide an update at the September meeting.	On-going

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
235	Item 10 – Ethics and Integrity Governance Completed report to be circulated to members	Joanne Head	June 2016	A copy of the final report provided.	Complete
236	Item 12 – Effectiveness of internal audit Request a formal comment in writing from internal audit, external audit the PCC and the CC regarding feedback on the effectiveness of the committee	Michelle Bellis	April 2017	Will be provided as part of the review of effectiveness report in March 2017.	On-going



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

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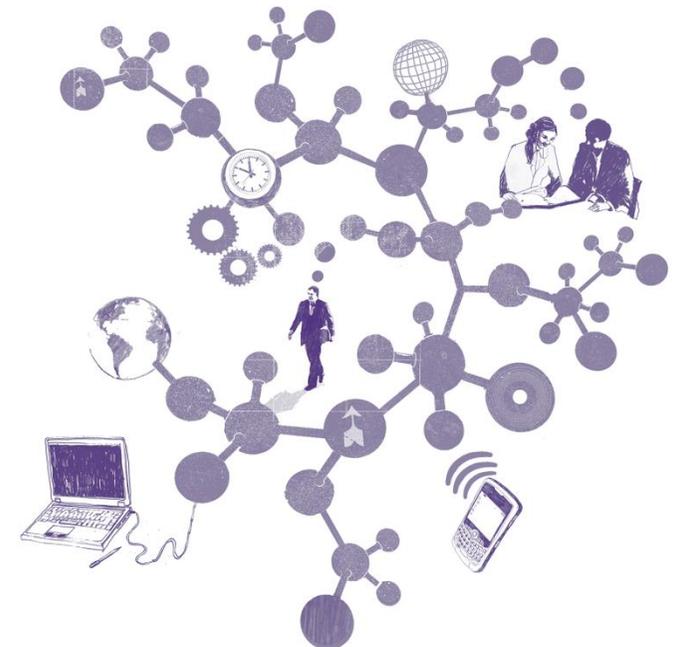
**Year ended 31 March 2016**

July 2016

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Peter McCall, Police and Crime Commissioner for Cumbria,  
and Jeremy Graham, Chief Constable for Cumbria Constabulary,  
Carleton Hall  
Penrith  
Cumbria  
CA10 2AU

25 July 2016

Dear Mr McCall and Mr Graham,

**Audit Findings for Police and Crime Commissioner for Cumbria and Chief Constable for Cumbria Constabulary for the year ending 31 March 2016**

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

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

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

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

Yours sincerely

Fiona Blatcher

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**Chartered Accountants**

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# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4
2. Audit findings	8
3. Value for Money	27
4. Fees, non-audit services and independence	33
5. Communication of audit matters	35

## **Appendices**

- A Audit opinion in respect of the PCC and Group financial statements
- B Audit opinion in respect of the Chief Constable's financial statements

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# 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**

## Purpose of this report

This report highlights the key issues affecting the results of the Police and Crime Commissioner for Cumbria ('the PCC') and the Chief Constable for Cumbria Constabulary and the preparation of the financial statements of the group, the PCC and the Chief Constable for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

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

We are also required to consider whether other information published together with the audited financial statements is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the PCC and the Chief Constable have each made proper arrangements to secure economy, efficiency and effectiveness in their use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide conclusions whether in all significant respects, the PCC and the Chief Constable have each put in place proper arrangements to secure value for money through economic, efficient and effective use of their resources for the relevant period.

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

- a public interest report if we identify any matter that comes to our attention in the course of the audits that in our opinion should be considered by the PCC or the Chief Constable or both, or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the PCC or the Chief Constable or both and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

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

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Joint Audit Plan dated March 2016 and updated in April 2016.

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

- receipt and review of the final version of the financial statements;
- obtaining and reviewing the management letters of representation; and
- updating our post balance sheet events review, to the date of signing the opinions.

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

## **Key audit and financial reporting issues**

### **Financial statements opinion**

We have identified no adjustments affecting either the Chief Constable's, or the PCC's reported financial positions. The financial statements for the group for the year ended 31 March 2016 recorded net expenditure on the provision of services of £36.647m. We have recommended a small number of adjustments to improve the presentation of the financial statements which have been implemented by officers.

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

- the accounts were prepared by 23 May in advance of the statutory timetable and to a good standard with relatively few amendments required; and
- the accounts were supported by excellent working papers.

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

We anticipate providing an unqualified audit opinion in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable (see Appendix A). We also anticipate providing an unqualified opinion in respect of the Chief Constable's financial statements (see Appendix B).

### **Other financial statement responsibilities**

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with each of the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statements do not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or are misleading or inconsistent with the information of which we are aware from our audits.

## **Controls**

### **Roles and responsibilities**

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

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

### **Findings**

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

Further details are provided within section two of this report.

### **Value for Money**

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

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

### **Other statutory powers and duties**

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

### **The way forward**

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

Over the coming twelve months, the PCC and Chief Constable will continue to deal with some significant challenges. In particular:

- the newly appointed PCC will be developing his police and crime plan for the next four years for Cumbria
- funding uncertainties will continue as clarification is awaited around potential changes to the funding formula.

Arrangements are in hand to deal with these and in particular the change strategy and approach to scenario planning will help support the PCC and Chief Constable in this context.

### **Acknowledgement**

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

**Grant Thornton UK LLP**  
July 2016

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## 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

# Materiality

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

As we reported in our joint audit plan, we determined overall materiality for the financial statements as a proportion of the smaller of gross revenue expenditure of the PCC and the gross revenue expenditure of the Chief Constable. This was £2.687m (being 2% of gross revenue expenditure of the PCC as a single entity). We have considered whether this level remained appropriate during the course of the audits and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £134,000. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that audit procedures would be undertaken, as these are key/sensitive figures and disclosures in the financial statements that should be correct. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation
Cash and cash equivalents	Cash and cash equivalents is a material balance, and all transactions made by the PCC and the Chief Constable affect the balance. It is therefore considered to be material by nature.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of related party transactions in the notes to the financial statements	Due to public interest in these disclosures

# 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 (UK&I) 315).

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

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

# Audit findings against significant risks continued

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

	<b>Risks identified in our audit plan</b>	<b>Relevant to PCC / Chief Constable / Both?</b>	<b>Work completed</b>	<b>Assurance gained and issues arising</b>
<b>3</b>	<p><b>Valuation of the Private Finance Initiative (PFI) asset and associated liability</b></p> <p>In accounting for the PFI contract it was assumed that there was reasonable certainty that the PCC would exercise the right to purchase the building at the end of the 25 year contract for half of its market value. As such the PFI land and building were recognised as PPE in the PCC's balance sheet at full value. In addition, a liability for outstanding obligations to pay for the building, which includes the cost of purchasing the asset for half its market value at the end of the PFI period is also shown on the balance sheet.</p> <p>Given the flooding in Cumbria in December 2015 the future of the PFI building is less certain. This means that the accounting for the PFI asset and liability may change.</p>	<b>PCC</b>	<ul style="list-style-type: none"> <li>• Discussions with officers around future plans for the PFI asset.</li> <li>• Review of the PCC's consideration of the accounting implications of any changes to these plans.</li> <li>• Review of management's processes and assumptions for the calculation of the estimate.</li> <li>• Review of the competence, expertise and objectivity of any management experts used.</li> </ul>	<p>Officers have given detailed consideration to the impact of the flooding on the future of the PFI asset and the implications for accounting for the liability. Their judgement that this has not affected the previously held assumption that the most likely scenario is that the PCC will buy the asset at the end of the contract is soundly based and appropriately disclosed in the accounts.</p> <p>The asset has been revalued to take into account the impact of the ongoing flood risk and the use of an independent valuation expert has been appropriate.</p>

# Audit findings against significant risks continued

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

	<b>Risks identified in our audit plan</b>	<b>Relevant to PCC / Chief Constable / Both?</b>	<b>Work completed</b>	<b>Assurance gained and issues arising</b>
<b>4</b>	<p><b>Valuation of pension fund net liability</b></p> <p>Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Police Officer Pension schemes pension fund liability as reflected in its balance sheet and notes to the accounts represent significant estimates in the financial statements.</p>	Both	<ul style="list-style-type: none"> <li>• Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated.</li> <li>• Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements.</li> <li>• Review of the competence, expertise and objectivity of the actuaries who carried out the pension fund valuations.</li> <li>• Gaining an understanding of the basis on which the IAS 19 valuations were carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• Review of the consistency of the pension fund asset, (LGPS only) and liability and disclosures in notes to the financial statements with the actuarial reports from your actuaries.</li> </ul>	<p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p> <p>Due to a lack of clarity within GAD's actuarial report, actuarial transactions relating to the GAD vs Milne redress payments were not reflected in the financial statements. These transactions were an actuarial loss of £2,541,000, and subsequent benefit payments of the same amount, resulting in a net nil impact on the police fund and related pension balances. See page 25 for further detail. The benefit payments have been correctly included in the Police Pension Fund Account, and related Home Office Grant has been received and correctly accounted for.</p> <p>No issues have been noted relating to the LGPS disclosures.</p>

# Audit findings against other risks

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

Transaction cycle	Description of risk	Relevant to PCC / Chief Constable / Both?	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period (Operating expenses understated)	Both	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls over the transaction cycle</li> <li>• Undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• Tested the reconciliation of expenditure recorded in the general ledger to subsidiary systems and interfaces</li> <li>• Substantive testing of operating expenses</li> <li>• Testing of payments made after year-end to identify potential unrecorded liabilities</li> </ul>	We identified a small number of trivial items which had been allocated to the incorrect year. In addition an item of £240,000 was identified as incorrectly treated as both an expenditure accrual and a prepayment resulting in the overstatement of both debtors and creditors by £240,000. See pages 23 and 24 for further information.  Our audit work has not identified any other significant issues in relation to the risk identified.
<b>Employee remuneration</b>	Employee remuneration accruals understated (Remuneration expenses not correct)	Both	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls over the transaction cycle</li> <li>• Undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• Tested the reconciliation of expenditure recorded in the general ledger to subsidiary systems and interfaces</li> <li>• Performed an analysis of trends and relationships to identify any anomalous areas for further testing</li> <li>• Substantive testing of payroll expenditure</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Audit findings against other risks continued

Transaction cycle	Description of risk	Relevant to PCC / Chief Constable / Both?	Work completed	Assurance gained and issues arising
<p><b>Police Pensions Benefits Payable</b></p>	<p>Benefits improperly computed / Claims liability understated</p>	<p>Chief Constable</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls over the transaction cycle</li> <li>• Undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• Tested the reconciliation of benefit payments recorded in the general ledger to subsidiary systems and interfaces</li> <li>• Analytically reviewed pensions paid, with reference to pensioner numbers and pension changes in year to ensure that any unexpected changes are satisfactorily explained</li> <li>• Substantive testing of lump sum payments, GAD redress payments, and monthly benefit payments made in year</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Property, Plant and Equipment</b></p>	<p>The PCC revalues its assets on a rolling basis over a five year period.</p> <p>The Code requires that the PCC ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>The floods in Cumbria in December 2015 has meant that several assets have been damaged. Work is on-going to repair the assets but some assets may still be impaired at 31/3/2016</p>	<p>PCC</p>	<ul style="list-style-type: none"> <li>• Review of management's processes and assumptions for the calculation of the estimate.</li> <li>• Review of the competence, expertise and objectivity of any management experts used.</li> <li>• Review of the instructions issued to valuation experts and the scope of their work</li> <li>• Discussions with the valuer about the basis on which the valuation was carried out and challenge of the key assumptions.</li> <li>• Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding.</li> <li>• Testing of revaluations made during the year to ensure they were input correctly into the PCC's asset register</li> <li>• Evaluation of the assumptions made by management for those assets not revalued during the year, and how management has satisfied themselves that their values are not materially different to current value</li> <li>• Consideration of assets that have been impaired, and the basis and amount of the impairments</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

# Group audit scope and risk assessment

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

Component	Significant?	Level of response required under ISA 600	Work completed	Assurance gained & issues raised
Police and Crime Commissioner (parent)	Yes	Comprehensive	Full scope UK statutory audit performed by Grant Thornton	<p>Our audit work has identified one misstatement within debtors and creditors of £240k. See pages 23 and 24 for details.</p> <p>The misstatement identified in the Chief Constable's accounts (see below) will impact on the consolidated group accounts.</p> <p>No other issues have been identified in respect of the risks on pages 10 to 14.</p>
Chief Constable (subsidiary)	Yes	Comprehensive	Full scope UK statutory audit performed by Grant Thornton	<p>Our audit work has identified one misstatement relating to actuarial adjustments for commutation redress payments of £2,541k. See page 25 for details.</p> <p>The misstatement identified in debtors and creditors in the PCC's accounts (see above) will also impact on the Chief Constable's accounts.</p> <p>No other issues have been identified in respect of the risks on pages 10 to 14.</p>

## Significant matters discussed with management

	Significant matter	Commentary
1.	<p>The flooding in Cumbria in December 2015 caused by storm Desmond created uncertainty around the future plans for the PCC's PFI asset.</p> <p>In previous years it has been assumed that the PCC will purchase the asset at the end of the PFI period, and the asset has been accounted for accordingly.</p>	<p>If the PCC were to decide that purchasing the asset was no longer a viable business option, then the accounting treatment for the PFI would need to change.</p> <p>The future plans for the asset were discussed with the PCC, and we are satisfied that there is reasonable certainty that the PCC will exercise the right to purchase the asset at the end of the PFI period.</p> <p><b>Management response</b></p> <p>Management have made appropriate disclosures in 'Critical Judgements' (Note 1 to the Financial Statements), and will continue to review the treatment of the PFI asset in future years.</p>

# Accounting policies, estimates and judgements

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

Area	Summary of policy	Comments	Assessment
<p><b>Revenue recognition</b></p>	<p><b>PCC</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due when there is reasonable assurance of:                             <ul style="list-style-type: none"> <li>compliance with the conditions attached to the payments, and</li> <li>the grants or contributions will be received.</li> </ul>                             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.                         </li> </ul> <p><b>Chief Constable</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p> <p>Policies are in accordance with the requirements of the Code of Practice for Local Government.</p>	
<p><b>Judgements and estimates</b></p>	<p><b>PCC</b></p> <ul style="list-style-type: none"> <li>Key judgements and estimates are set out in notes 1 and 3 respectively and include:                             <ul style="list-style-type: none"> <li>uncertainty over future police funding;</li> <li>treatment of assets and liabilities under PFI contracts;</li> <li>PPE valuations; and</li> <li>pensions liability valuations.</li> </ul> </li> </ul> <p><b>Chief Constable</b></p> <ul style="list-style-type: none"> <li>Key judgements and estimates are set out in notes 1 and 3 respectively and include:                             <ul style="list-style-type: none"> <li>uncertainty over future police funding;</li> <li>calculation of provisions;</li> <li>pensions liability valuations.</li> </ul> </li> </ul>	<p>We have reviewed the PCC's and Chief Constable's judgements and estimates against the requirements of the Code of Practice on Local Authority Accounting.</p> <ul style="list-style-type: none"> <li>where the PCC or Chief Constable has made judgements or estimates in the financial statements these have been supported with robust methodologies and clear explanation of the assumptions applied.</li> <li>PPE valuations and pension liability valuations are considered separately on the next page.</li> </ul>	

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates and judgements continued

Area	Summary of policy	Comments	Assessment
<p><b>Judgements and estimates: Pension fund liability</b></p>	<p><b>PCC &amp; Chief Constable</b></p> <p><b>Local Government Pension Scheme (LGPS)</b></p> <p>The LGPS is the pension scheme for police staff. This is a funded defined benefit scheme.</p> <p>The scheme is administered by Cumbria County Council.</p> <p>The liability showing the underlying long term commitment to fund future retirement benefits is shown on the relevant PCC and CC balance sheet with a corresponding Pension Reserve.</p> <p><b>Police Officers Pension Schemes</b></p> <p>The Chief Constable operates three pension schemes for police officers. These are the Police Pension Scheme, the 2006 Police Pension Scheme, and the 2015 Police Pension Scheme. All of which are unfunded defined benefit schemes.</p> <p>The financial liability for these schemes appears on the Chief Constable's Balance Sheet with a corresponding Pension Reserve.</p> <p>The liabilities relating to these schemes decreased by £130.1 million in 2015/16. The liability stood at £1.012 billion at 31 March 2016.</p>	<p>For both LGPS and the three police officer pension schemes we have undertaken a review of the relevant actuary's (Mercer for LGPS and GAD for police schemes) work to satisfy ourselves that the pension liabilities are fairly stated in the financial statements. In doing so we engaged our own independent actuary to assess the methodology and assumptions used by the schemes' actuaries.</p> <p>For LGPS we have confirmed with the external auditor of the pension fund that the controls over membership data were operating as intended. For the three police schemes we have reviewed the information sent to the actuary ourselves and confirmed it was consistent with our expectations.</p> <p>The pension fund liabilities are most sensitive to changes in the following key assumptions:</p> <ul style="list-style-type: none"> <li>- discount rate;</li> <li>- mortality;</li> <li>- inflation; and</li> <li>- future salary increases.</li> </ul> <p>For both LGPS and the police officer pension schemes we have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by both Mercer and GAD are reasonable for the purpose of valuing the pension fund liabilities as at 31 March 2016.</p>	
<p><b>Judgements and estimates: Property, plant and equipment</b></p>	<p><b>PCC</b></p> <p>The CIPFA Code requires that authorities revalue their land and building assets on a regular basis. The PCC engaged Cariget Cowen, a firms of chartered surveyors to provide land and building valuations for financial reporting purposes.</p> <p>The PCC revalues its PPE assets on a 5-year rolling programme. For the land and building assets not revalued in 2015/16, the external valuer undertook a review to determine whether it was necessary to increase or decrease the value of all the properties in aggregate. The valuer concluded that these we not materially misstated at 31 March 2016.</p>	<p>We have undertaken a detailed review of the work performed by Cariget Cowen to provide land and building valuations for financial reporting purposes.</p> <p>We are satisfied from our review that the methodology and assumptions used by Cariget Cowen were reasonable.</p> <p>We have compared overall valuation movements with indices provided by an independent valuer we engaged and are satisfied that the overall valuation movements were reasonable.</p> <p>We are satisfied that the PCC's non-current assets are not materially misstated as at 31 March 2016.</p>	

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators  
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates and judgements continued

Area	Summary of policy	Comments	Assessment
<p><b>Intra-Group funding arrangements and cost recognition</b></p>	<p><b>PCC &amp; Chief Constable</b></p> <p>The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:</p> <ul style="list-style-type: none"> <li>- Corporate and Democratic Core – costs relating to the status as a democratic organisation; and</li> <li>- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.</li> </ul> <p>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.</p> <p>Under the Commissioner’s funding arrangement to the Chief Constable premises costs (except where they are directly attributable to the Chief Constable) are initially recorded in the accounts of the Commissioner and a recharge is made to the Chief Constable in the single entity Comprehensive Income and Expenditure Statements on an appropriate basis. Transport and supplies and services costs (except where they are directly attributable to the Commissioner) are initially recorded in the accounts of the Chief Constable and a recharge is made to the Commissioner in the single entity Comprehensive Income and Expenditure Statements on an appropriate basis.</p>	<p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p> <p>Policies are in accordance with the requirements of the Code of Practice for Local Government.</p>	
<p><b>Other accounting policies</b></p>	<p><b>PCC &amp; Chief Constable</b></p> <p>We have reviewed the PCC's and Chief Constable's policies against the requirements of the CIPFA Code of Practice. The accounting policies are appropriate and consistent with previous years.</p>	<p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p>	
<p><b>Going concern</b></p>	<p><b>PCC &amp; Chief Constable</b></p> <p>The PCC and Chief Constable both have a reasonable expectation that the services they provide will continue for the foreseeable future. For this reason, the bodies continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the PCC's and Chief Constable's assessments and are satisfied with their assessment that the going concern basis is appropriate for the 2015/16 financial statements.</p>	

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators  
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Other communication requirements

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

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

## 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 considered and walked through the internal controls for Employee Remuneration, Operating Expenses, police officer pensions payable and PPE valuations.

The controls were found to be operating effectively and we have no matters to report to those charged with governance.

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Note 6 of the PCC's account analyses Property, Plant and Equipment (PPE) over a number of headings and splits this analysis into 'Cost or Valuation' and 'Accumulated Depreciation and Impairment'.</p> <p>Our audit identified that within the IT and Technology category there were IT assets with a gross book value of £14.6 million but which had been fully depreciated. Although the value in the balance sheet is correct the risk is that some of these IT assets may no longer been in use, be obsolete, scrapped or replace by new / replacement purchases.</p> <p>With a programme of replacing and updating IT equipment it would make sense to undertake a review of all assets in the IT and Technology category to confirm they are still in use and if not they should be removed from the asset register.</p>	<p>The PCC has undertaken a review in 2015/16 of all assets in the IT and Technology category to confirm whether they are still in use.</p> <p>Assets no longer in use have been removed from the asset register.</p>

**Assessment**

- ✓ Action completed
- X Not yet addressed

## Adjusted misstatements – Police and Crime Commissioner and Group

Two non-trivial misstatement in the PCC's draft accounts has been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustment arising from the audit which has been processed by management. See page 25 for details of the adjustment arising during the audit which has not been processed by management.

### Impact of adjusted misstatements

The adjusted misstatement is set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
<p>An element of a contract entered into in 2015-16 was for 5 years' maintenance and support, starting in 2016-17. This element has been accrued for as revenue expenditure, and subsequently treated as a prepayment. This amount had not been paid at year end, and relates entirely to subsequent years, and so should not have been included in the Financial Statements. The result is that both debtors and creditors are overstated by £240k.</p> <ul style="list-style-type: none"> <li>• <b>Short term Debtors (external)</b></li> <li>• <b>Short term Creditors (external)</b></li> </ul>		<p>(£240)</p> <p>£240</p>
<p>In addition, there is an inter-entity transaction to correctly allocate the impact of this adjustment to the Chief Constable's balance sheet:</p> <ul style="list-style-type: none"> <li>• <b>(Short Term Debtors) Funding balance owed to PCC by CC</b></li> <li>• <b>(Short Term Creditors) Amounts owed by PCC to CC re CC share of external debtors</b></li> </ul>		<p>(£240)</p> <p>£240</p>
<b>Overall impact</b>	<b>£nil</b>	<b>£nil</b>

## Adjusted misstatements – Chief Constable

Two non-trivial misstatements in the Chief Constable's draft accounts have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustment arising from the audit which has been processed by management. See page 25 for details of the adjustment arising during the audit which has not been processed by management.

### Impact of adjusted misstatements

The adjusted misstatement is set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
As detailed on the previous page, in the PCC's accounts both debtors and creditors are overstated by £240k. This adjustment has impacted on the Chief Constable's accounts as follows:		
• (Short Term Debtors) Amounts owed to CC by PCC re CC share of external debtors		(£240)
• (Short Term Creditors) Funding balance due from CC to PCC		£240
<b>Overall impact</b>	<b>£nil</b>	<b>£nil</b>

## Unadjusted misstatements – Chief Constable, PCC and Group

The table below provides details of the adjustment identified during the audit which has not been made within the final sets of financial statements. Those charged with governance are required to approve management's proposed treatment of the item recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
<p><b>1</b> During the year, the Chief Constable became liable for commutation redress payments totalling £2,541,000 as a result of the Pensions Ombudsman's findings in Milne vs. the Government Actuary's Department (GAD).</p>			
<p>These payments have been correctly treated in the Police Pension Fund Account, but the increase in the liability and the subsequent benefit payments have been omitted from the actuarial adjustments in the Chief Constable's and the Group main financial statements.</p>			
<p>The adjustments to correct this would be:</p>			
<ul style="list-style-type: none"> <li>• <b>Reversal of benefit paid within Cost of Services</b></li> </ul>	<p>(£2,541)</p>		
<ul style="list-style-type: none"> <li>• <b>Decrease in actuarial gain within "Remeasurement of the net defined pension liability" (Other Comprehensive Income)</b></li> </ul>	<p>£2,541</p>		
<ul style="list-style-type: none"> <li>• <b>Increase in pension liability in year as a result of pension Ombudsman's findings</b></li> </ul>		<p>(£2,541)</p>	
<ul style="list-style-type: none"> <li>• <b>Decrease in pension liability in year as a result of benefits paid</b></li> </ul>		<p>£2,541</p>	
<p>These adjustments would have no impact on the year end pension liability, pension reserve, Police Fund balance or Total Comprehensive Income and Expenditure for the 2015-16 year.</p>			
<p>These adjustments have no impact on the single entity accounts of the PCC, however they do flow through to the consolidated group accounts.</p>			
<p><b>Overall impact</b></p>	<p>£nil</p>	<p>£nil</p>	<p>Management consider that the transactions have no overall impact on the overall financial position and are not material to the reader's understanding of the accounts. On this basis the financial statements have not been adjusted as the work required to make the amendments is considered disproportionate to the impact of the misstatement..</p>

## Misclassifications and disclosure changes - Chief Constable, PCC and Group

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

	Relevant to PCC / Chief Constable / Both?	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	PCC	Disclosure	£3,303	Financial Instruments - Financial Assets	The financial instrument disclosure notes of the PCC incorrectly excluded cash and cash equivalents. Balances have been added into the disclosure tables in A1 and A3 of the technical annex to the accounts. Disclosure for 2015/16 is £3,303k, and for 2014/15 is £6,881k. Adjustment affects the disclosure note only with no impact on the main financial statements.
2	PCC	Disclosure	£2,004	Capital Financing	The capital financing disclosure in the PCC's Statements contains a typographical error. Increase in underlying need to borrow and Increase/ (decrease) in Capital Financing Requirement were shown as (£367k) and have been corrected to £1,637k.
3	PCC	Misclassification	£9,984	PPE - Derecognition	Assets with a total gross value of £9,984k (NBV £nil) which were written out of the asset register following a review of operational assets have been moved from 'Derecognition – Disposals' to 'Derecognition – Other' within the PCC's Statements.
4	Both	Disclosure	n/a		A small number of minor changes have been made to wording of disclosure notes and accounting policies throughout the Financial Statements to improve clarity.

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## 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

## Background

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

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

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

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

## Risk assessment

We carried out an initial risk assessment in April 2016 and identified the following significant risks, which we communicated to you in our Joint Audit Plan Update dated 22 April 2016:

- Financial sustainability
- Response to PEEL review.

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

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

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

### **Significant qualitative aspects**

AGN 03 requires us to disclose our views on significant qualitative aspects of the PCC's and Chief Constable's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the PCC's and Chief Constable's arrangements. In arriving at our conclusion, our main considerations were:

- the reasonableness of the assumptions in the Medium Term Financial Strategy (MTFS) 2016-2020 and how this updated
- how the 'Change Strategy' is monitored to ensure savings are delivered
- how the Constabulary develops its action plans for each Her Majesty's Inspectorate of Constabulary (HMIC) reports, whether they are specific to Cumbria or the outcome of thematic reviews;
- identifying how the Constabulary monitors the implementation of its HMIC action plans and how its reports the position to the Police and Crime Commissioner.

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

### **Overall conclusion – Police and Crime Commissioner**

Based on the work we performed to address the significant risks, we concluded that:

- the PCC has proper arrangements in all significant respects to ensure they delivered value for money in their use of resources. The text of our report which confirm this can be found at Appendix A.

### **Overall conclusion – Chief Constable**

Based on the work we performed to address the significant risks, we concluded that:

- the Chief Constable has proper arrangements in all significant respects to ensure they delivered value for money in their use of resources. The text of our report which confirm this can be found at Appendix B.

## Key findings

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

Significant risk	Work to address	Findings and conclusions
<p><b>Financial sustainability</b></p> <p>The PCC has set a balanced budget for 2016/17 as a result of work in 2015/16 to review expenditure and reduce costs. Even so there is still a need to find £9 million of savings between 2017 and 2020. By the end of February 2016 plans had been developed for delivering the savings but are still to be implemented. Historic savings have been delivered through efficiency savings in back office and support costs but now over the next four years there will be reductions in the front line police officers. Even though Cumbria Police has a good record of delivering savings through its 'Change Strategy' delivering savings of £9 million represents a significant challenge.</p>	<p>We reviewed the PCC's and Chief Constable's arrangements for updating, agreeing and monitoring its financial plans including the assumptions within them. We also consider the arrangements in place to monitor the delivery of the Change Strategy.</p>	<p>The PCC and the Constabulary face financial challenges but the four year Medium Term Financial Strategy (MTFS) 2016-2020 demonstrates their long term financial viability. Key planning assumptions included with the MTFS cover both internal and external factors such as Home Office funding formula changes, pay, non-pay and energy and fuel inflation and council tax increases. These assumptions appear reasonable. The Chief Constable's staff work closely with the PCC in developing a MTFS which is then signed off by the PCC's Chief Finance Officer (CFO) and reported to the Executive Board which included the PCC and Chief Constable. There is a sound process in place to produce the MTFS.</p> <p>The PCC set a balanced budget for 2016/17 on 24 February 2016 resulting in a revenue budget of £129.5 million and a Council Tax increase of 1.91%. Consideration was given to the adequacy of balances and reasonableness of assumptions and estimates used to produce the budget. The MTFS 2016-2020 projected the net deficit for 2017/18 to 2019/20 to be between £9.013 million and £16.596 million, depending on the outcome of the police funding formula review and when setting the 2016/17 budget it has been assumed that savings of £9 million will be required.</p> <p>Due to the uncertainty around the funding formula and damping issues the MTFS hasn't been updated in year. However, we are aware of briefings by the two CFOs to keep the PCC and Chief Constable aware of the current financial position. Work is ongoing on a number of initiatives to develop a deeper understanding of the police and crime demands within Cumbria and the impact of implementing efficiency initiatives. This will enable the PCC and Chief Constable to be in a strong position to consider a range of options to deal with the wide range of possible funding scenarios.</p> <p>The Constabulary's 'Change Strategy 2020' includes a programme of actions developed to ensure it can meet the demands of future policing within tightening financial constraints. Progress on delivering the Change Strategy is monitored by the Constabulary to ensure it remains on track with updates to the PCC. In January 2016 the Chief Constable outlined in a paper to the Police and Crime Panel (PCP) details of the Change Strategy 2020 showing savings of £4.1 million achieved in 2015/16 and £20 million in savings since 2011. The approach to savings 2016 to 2020 is around reducing police officer numbers, undertaking enhancements to current reviews and new reviews. Plans for savings have been developed with options for further savings depending on the impact of the Police funding formula when it is agreed.</p> <p><b>We concluded that the risk was sufficiently mitigated and the PCC and Chief Constable each have proper arrangements for ensuring they plan finances effectively to support their strategic functions and arrangements for ensuring informed decision making.</b></p>

Significant risk	Work to address	Findings and conclusions
<p><b>Police effectiveness, efficiency and legitimacy (PEEL) review</b></p> <p>The latest PEEL review has assessed Cumbria Constabulary's effectiveness at keeping people safe and reducing crime as 'Requires Improvement'. The areas requiring improvement were responding to vulnerable victims, investigating crime and managing offenders and understanding of serious and organised crime. The risk is that arrangements are not put in place to monitor the delivery of the required improvement.</p>	<p>We reviewed how the Constabulary is implementing and monitoring delivery of plans to address the findings of Her Majesty's Inspectorate of Constabulary (HMIC) reviews.</p>	<p>Cumbria Constabulary has a clear process in place to respond to the outcome of HMIC inspections. HMIC reports are considered in detail in terms of recommendations, Areas for Improvement (AFIs) and the observations in the reports. This results in the detailed Action Plan for a report having more individual actions in it than the number of recommendations and AFIs in the HMIC report but is seen as being more comprehensive and used to facilitate better management and accurate progression of actions. Overall, the Constabulary has a strategic HMIC action plan which is implemented by the Operations Programme Board and which is now subject to quarterly audit and inspection by the Constabulary's new Business Improvement Unit. One of key features of this approach is that the Business Improvement Unit now reality checks actions identified as complete to confirm that actions have been implemented. Updates on progress against HMIC actions are provided to the Police and Crime Commissioner (PCC) including and included and update on PEEL 2015 (Vulnerability) report to the Executive Board on 6 April 2016 and more recently in July 2016 a presentation outlining the HMIC process and progress to date on implementing actions. Overall, progress on implementing recommendations is good.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the PCC and Chief Constable each has proper arrangements for acting in the public interest through demonstrating and applying the principles of good governance.</b></p>

**Significant difficulties in undertaking our work**

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

**Significant matters discussed with management**

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

**Any other matters**

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

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## Section 5: 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

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

### Fees

	Budget £	Actual £
Police and Crime Commissioner audit	30,338	30,338
Chief Constable audit	15,000	15,000
<b>Total audit fees (excluding VAT)</b>	<b>45,338</b>	<b>45,338</b>

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

### Fees for other services

Service	Fees £
<b>Non-audit services:</b>	
Tax Advisory Services	2,500

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

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## Section 6: 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

# Communication to those charged with governance

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

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 Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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

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

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

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

# Appendices

# Appendix A: Audit opinion – Police and Crime Commissioner

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

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

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

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

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

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

## **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

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

### **Opinion on other matters**

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

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

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

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

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

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

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

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

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

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Police and Crime Commissioner has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

**Conclusion**

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

**Certificate**

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

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

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

July 2016

# Appendix B: Audit opinion – Chief Constable

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

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

We have audited the financial statements of the Chief Constable for Cumbria Constabulary (the "Chief Constable") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 Annexes A and B and include the Police Officer Pension Fund Account comprising the Police Officer Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

### Respective responsibilities of the Chief Constable's Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Constable's 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### 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 Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

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

### **Opinion on other matters**

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

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

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Chief Constable under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

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

#### **Respective responsibilities of the Chief Constable and 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.

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

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

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

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Chief Constable has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

**Conclusion**

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

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable in accordance with the requirements of the Act and the Code.

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

Grant Thornton UK LLP  
4 Hardman Square  
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July 2016



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## **Annual Statement of Accounts 2015-16: Assurance Framework**

Report to the Police and Crime Commissioner and Audit and Standards Committee 28<sup>th</sup> July 2016

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 2015-16 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.

### **2 Formal Approval of the Audited Statements**

2.1 The Statement of Accounts were authorised by the Chief Finance Officer on 23rd May 2016 in accordance with the 2015 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 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 2015-16. The Commissioner and members of the Joint 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 2016 and in respect of the Commissioner's arrangements to secure Value for Money.

3.2 In carrying out their audit, the auditors have considered internal controls that are relevant to the preparation of the financial statements. Where they identify any control weaknesses, these are reported to the Commissioner. The auditors have noted within their report that the controls were found to be operating effectively and that there were no matters to report to those charged with governance.

3.3 There are two non-trivial misstatements identified during the audit in the financial statements and noted in the auditors report. These are:

- An invoice for £2.2m that was paid in April 2016 for goods received in 2015/16 was accrued as a creditor back into 2015/16. However, part of the invoice with a value of £240k related to a maintenance contract that started on 1/4/16. This was then subsequently treated as a pre-payment (debtor). The correct accounting treatment would have been to accrue the invoice less the £240k relating to the 16-17 financial year. The impact is to overstate both creditors and debtors in 2015-16 with the net overall effect on financial statements being nil. The misstatement has been adjusted in the financial statements. Consideration is being given to the year-end process for non-trivial manual adjustments to debtor and creditor balances.
- A one off liability and payment to the value of £2.541m within the police pension fund has been treated correctly in its inclusion within the Police Pension Fund but the benefit payment and liability have been omitted from the Chief Constable's accounts main financial statements. The misstatement does not impact on the PCC single entity accounts but flows through to the group accounts. Review of the transaction has identified that Government Actuary Department information on the transaction lacked clarity regarding the proper financial disclosures and the detailed disclosure information required to fully comply with proper accounting practices was not provided. This has been significant in influencing how the transaction was recorded and the subsequent misstatement. As the transaction is accounted for by disclosing a liability that is paid in year, the net impact of the transaction on the overall financial position is nil. This balance has no overall impact on the financial position and is not material to the reader's understanding of the accounts. On this basis the financial statements have not been adjusted as the work required to make the amendments is considered disproportionate to the impact of the misstatement.

3.4 There were two disclosure changes and one misclassification identified during the audit which are set out in the auditor's report and which were adjusted in the financial statements. In addition, a small

number of minor changes were made to the wording of disclosure notes and accounting policies to improve clarity. Member's copy of the financial statements highlights those changes. Changes highlighted in green reflect the changes of wording now required for the audited statements. They include the updating of relevant dates for signing off the statements, the inclusion of the auditor's opinion and update to the annual governance statement to reflect the period from its initial publication and the date of this report. Changes highlighted in turquoise are those agreed with the external auditors.

3.5 The auditors have noted that excellent working papers accompanied the draft financial statements.

## **4 Post Balance Sheet Event**

4.1 A post balance sheet event is an event, subsequent to the date of the financial statements, and for which International Financial Reporting Standards and the Code of Practice on Local Authority Accounting (the Code) require adjustment or disclosure. There have been no post balance sheet events following authorisation of the financial statement by the Chief Finance Officer on 23rd May and to the issuing of this report.

## **5 2015-16 Governance Statements**

5.1 The Police and Crime Commissioner approved his 2014-15 Annual Governance Statement (AGS) on 21st May 2015. There have been no changes to the Annual Governance Statement as a result of audit. Minor updates have been made to reflect the position as at July 2016.

## **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 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. This is the first year that both the publication of the unaudited accounts and the audited accounts has been brought forward in line with the requirements of the Accounts and Audit Regulations 2015. The work to bring forward the closure of accounts has impacted both on our own team and those at Grant Thornton.

## 8 Recommendations

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

- Members of the 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 determines whether he will approve the Chief Finance Officer's proposed treatment of the unadjusted misstatement
- The Commissioner signs the audited Statement of Accounts and authorises for publication the Accounts and accompanying Governance Statement.

### Statement of Accounts Narrative 2015-16

#### 1 Introduction and Background

1.1 The Police and Crime Commissioner is asked to 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 Head of Internal Audit (HIA) 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, within the letter of representation and by the Commissioner's Annual Governance Statement, signed by the Commissioner, the Commissioner's Monitoring Office and the Commissioner's CFO.

**2.2.1 The Chief Finance Officer's (CFO) Opinion:** The CFO provides to members an annual opinion on the effectiveness of the arrangements for audit. That review, presented to members at their Meeting May 3rd 2016, concluded that "there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2016." In presenting this opinion, the CFO takes into account the opinion of the external auditors. The external auditor's Joint Audit Plan Update, also presented on the May agenda, advised that 'the internal audit service continues to provide an independent and satisfactory service to the PCC and the Chief Constable and that internal audit work contributes to an effective control environment at both entities'. This assurance enables the Commissioner and members of the 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.**

**2.2.2 The opinion of the Head of Internal Audit (HIA):** The HIA provides an annual opinion on the internal control environment. The opinion is based on the audit reviews undertaken over the course of the financial year. Audits are risk based and include cyclical reviews of the material financial systems. The findings of the CIA are set out in an annual report. The HIA's opinion for 2015-16 is that "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".

*"There are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2015."* **Commissioner's Chief Finance Officer**

**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"* **Head of Internal Audit.**

**2.2.3** Of the 17 audits finalised during 2016-17, 15 contributed to the Commissioner and Chief Constable's overall assurance with 14 of the 15 assurance audits achieving reasonable or higher assurance. The findings of financial audits reported to the Audit and Standards Committee and the overall opinion of the Chief Internal Auditor is further supported by annual management assurances across all financial systems that are provided to the Chief Finance Officer for review. Collectively these internal controls 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.

2.2.4 **The opinion of the Appointed Auditor:** The Appointed Auditor will provide an independent external opinion on the financial statements following the audit process. In forming this audit opinion they will undertake a range of audit work. This will include reconciling the figures within the accounts to the financial ledger, undertaking a computer based analytical review to validate the accuracy of material transactions and undertaking further systems based sample testing of ledger amounts back to the primary financial transactions. The external auditors will also review accounting policies and ensure accounting estimates,

**Sources of Assurance**

*“The accounts ... were prepared to a good standard with relatively few amendments... we anticipate providing an unqualified opinion on the PCC’s financial statements, including the group financial statements.”*

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

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.

2.2.5 In forming their opinion, the external auditors give consideration to internal controls relevant to the preparation of the financial statements. The external auditors complete walkthrough tests of controls operating in areas where they consider that there is a risk of material misstatement to the financial statements. For the 2015-16 financial statements this has included walkthrough tests of payroll and pensions processes, PPE and the Police Officer Pensions Fund. The auditors also reviewed and reported on journal entry controls and early substantive testing in their report to the Committee on 3rd May 2016. Their report confirmed that they did not identify any issues to report or any weaknesses which impact on the audit

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

2.2.6 **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 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 2015-16 and all appropriate assurances have been provided to the external auditors.

2.2.7 **The Annual Governance Statement:** The Annual Governance Statement (AGS) was presented to members on May 3rd 2016 with a number of supporting governance papers. The AGS details how the

Commissioner has complied with the governance framework set out within the Code. The Statement has been updated to take account of the period from its un-audited issue to the date of the audited financial statements and will be signed by the Commissioner, the Commissioner's statutory Monitoring Officer and Chief Finance Officer. The Annual Governance Statement is submitted for examination by the Commissioner's Internal Auditors and provides members with assurance that the Commissioner has in place appropriate arrangements for financial and wider governance matters including arrangements for managing risks and internal controls.

2.3 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 2015-16 Financial Year Accounts and Audit Timetable

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

- Agreement on a number of areas of audit work that could be delivered as part of the interim audit in March/April. This has involved the provision of information on specific transactions and notes, including working papers at an earlier stage in the process. This was provided in relation to property, plant and equipment, minimum revenue provision, PFI, exit packages, pension fund and accumulated absences.
- This was supported by continuing the practice agreed in 2014-15 for external valuations of land and buildings to be brought forward to the end of the December. The valuer provides a statement from the as at 31<sup>st</sup> March confirming their continued accuracy.
- LGPS figures were received earlier from the actuary to support the earlier calculation of pension's information but figures were required to be refreshed due to market movements between the original calculation date and year end. This continues to be a risk as figures are material and any re-calculation is chargeable. Discussions are on-going with the Government Actuary Department regarding the timing of information and calculation to seek to minimise this risk.
- Sample testing commenced as part of the interim audit and this included work on cash and investments.
- April overtime has not been accrued. Short term compensated absences for any police staff not on the duty management system is now estimated based on prior year experience removing the lengthy process to calculate this on an actual basis.

This work was successful in delivering a sign off date for the financial statements by the Chief Finance

Officer on 23rd May 2016. Benchmarking across Policing bodies in England and Wales currently indicates that Cumbria was the first Policing body to publish the un-audited statements. 1 other policing body, Thames Valley, achieved 31 May and 4 Policing bodies have published un-audited statements dated early to mid-June (Lancashire, Kent, Lincolnshire and West Midlands), with the majority signing off the statements between 27th and 30th June. At the time of writing this report, the sign off date for 9 policing bodies is unknown either because the policing body does not publish the un-audited statements on their website or they publish without a date. These bodies have been contacted directly but with limited responses to date. Work will continue to benchmark early publication of the audited financial statements with a view to establishing a small benchmarking group to share best practice. This aims to assist in achieving a May publication date for the un-audited financial statements that facilitates review by the Joint Audit and Standards Committee prior to publication in line with best practice.

### 3.2 Accounts and Audit Regulations 2015

The primary changes in respect of accounting requirements arose from changes to the Accounts and Audit Regulations 2015. For the 2015-16 financial statements the Accounts and Audit Regulations have made changes to arrangements for public inspection of the statements and associated notices. A form of words was agreed with the external auditors for publication on the Commissioner and Chief Constables' respective websites. There have been no requests to view the financial statements or accompanying papers. The regulations have also made changes to the Chief Finance Officer's Introduction to the financial statements. This has been replaced by the requirement for a Narrative Report, the purpose of which is to offer interested parties an effective guide to the most significant matters reported in the accounts. Authorities are encouraged to prepare the Narrative Report taking into consideration the provisions of the 2015-2016 government's financial reporting manual. It is anticipated that by 2017-18 these requirements will be included in the CIPFA/LASAAC Code. CIPFA also considers that the principles in Financial Reporting Council (FRC) Guidance on the strategic report should be followed in order to meet the 2015 regulatory requirement to provide information on financial performance and economy, efficiency and effectiveness. In developing the narrative statement, the FRC guidance and the requirements of the performance report of the Financial Reporting Manual have been followed in addition to the LAAP Bulletin 104 'closure of the 2015-16 accounts and related matters', which includes the key elements from the FRC strategic report. The overall objective from this development is to move public sector financial reporting closer an annual report combining key performance, outcome and operational information alongside financial information.

### 3.3 Measurement of Property Plant and Equipment

Non Operational Property, Plant and equipment classified as surplus assets are measured at fair value. Fair Value is a market based measurement. This has impacted on the former police station at Cleator Moor but we have not made any additional disclosures on the grounds of materiality.

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

## Appendix B



Office of the Police and Crime Commissioner Carleton Hall Penrith Cumbria CA10 2AU  
Police & Crime Commissioner for Cumbria P McCall  
Chief Executive S Edwards Chief Finance Officer/Deputy Chief Executive R Hunter CPFA  
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28<sup>th</sup> July 2016

Dear Mrs Blatcher,

**The Police and Crime Commissioner for Cumbria Group Financial Statements for the year ended 31 March 2016**

This representation letter is provided in connection with the audit of the group financial statements of the Police and Crime Commissioner for Cumbria (the 'PCC') and its subsidiary undertaking, The Chief Constable for Cumbria Constabulary, for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the group and parent PCC financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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

- i. We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and parent PCC and these matters have been appropriately reflected and disclosed in the group and parent PCC financial statements.
- iii. The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and parent PCC financial statements in the event

of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent PCC financial statements in the event of non-compliance.

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi. We are satisfied that the material judgements used in the preparation of the group and parent PCC financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

Except as disclosed in the financial statements:

- a) there are no unrecorded liabilities, actual or contingent
- b) none of the assets of the group or parent PCC has been assigned, pledged or mortgaged
- c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- ix. All events subsequent to the date of the group and parent PCC financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xi. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent PCC financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the group and parent PCC financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and parent PCC and its group and parent PCC financial position at the year-end.

- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent PCC financial statements.
- xiv. We believe that the group and parent PCC's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent PCC's needs. We believe that no further disclosures relating to the group and parent PCC's ability to continue as a going concern need to be made in the financial statements.

#### Information Provided

- xv. We have provided you with:
  - a) access to all information of which we are aware that is relevant to the preparation of the group and parent PCC financial statements such as records, documentation and other matters;
  - b) additional information that you have requested from us for the purpose of your audit; and
  - c) unrestricted access to persons within the group and parent PCC from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the group and parent PCC financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the group and parent PCC financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent PCC involving:
  - a) management;
  - b) employees who have significant roles in internal control; or
  - c) others where the fraud could have a material effect on the group and parent PCC financial statements.
- xx. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent PCC's financial statements communicated by employees, former employees, regulators or others.

- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the group and parent PCC's financial statements.
- xxii. We have disclosed to you the identity of all the group and parent PCC's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent PCC financial statements.

#### Annual Governance Statement

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

#### Narrative Statement

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

#### Approval

The approval of this letter of representation was minuted by the Commissioner at the meeting of the Joint Audit and Standards Committee on 28 July 2016.

Yours sincerely

Peter McCall  
Police and Crime Commissioner for Cumbria  
28 July 2016

Ruth Hunter  
Chief Finance Officer / Deputy  
Chief Executive, Cumbria Office  
of the Police and Crime  
Commissioner  
28 July 2016

## Unadjusted misstatements – Chief Constable, PCC and Group

The table below provides details of the adjustment identified during the audit which has not been made within the final sets of financial statements. Those charged with governance are required to approve management's proposed treatment of the item recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
<p><b>1</b> During the year, the Chief Constable became liable for commutation redress payments totalling £2,541,000 as a result of the Pensions Ombudsman's findings in <i>Milne vs. the Government Actuary's Department (GAD)</i>.</p> <p>These payments have been correctly treated in the Police Pension Fund Account, but the increase in the liability and the subsequent benefit payments have been omitted from the actuarial adjustments in the Chief Constable's and the Group main financial statements.</p> <p>The adjustments to correct this would be:</p> <ul style="list-style-type: none"> <li>• Reversal of benefit paid within Cost of Services</li> <li>• Decrease in actuarial gain within "Remeasurement of the net defined pension liability" (Other Comprehensive Income)</li> <li>• Increase in pension liability in year as a result of pension Ombudsman's findings</li> <li>• Decrease in pension liability in year as a result of benefits paid</li> </ul> <p>These adjustments would have no impact on the year end pension liability, pension reserve, Police Fund balance or Total Comprehensive Income and Expenditure for the 2015-16 year.</p> <p>These adjustments have no impact on the single entity accounts of the PCC, however they do flow through to the consolidated group accounts.</p>	<p>(£2,541)</p> <p>£2,541</p>	<p>(£2,541)</p> <p>£2,541</p>	<p>Management consider that the transactions have no overall impact on the overall financial position and are not material to the reader's understanding of the accounts. On this basis the financial statements have not been adjusted as the work required to make the amendments is considered disproportionate to the impact of the misstatement..</p>
<b>Overall impact</b>	<b>£nil</b>	<b>£nil</b>	



# Police and Crime Commissioner for Cumbria

## Statement of Accounts | 2015-16





# Police and Crime Commissioner for Cumbria

## Statement of Accounts 2015/16

## About this Publication

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



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

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



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

## 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 2015/16

### Contents

	Page
PCC Chief Finance Officer Narrative Report	3-15
Responsibilities for the Statement of Accounts	16-17
Auditors Report to the Commissioner	18-21
Core Financial Statements	22-23
• Movement in Reserves	24-25
• Comprehensive Income and Expenditure Statement	26-27
• Balance Sheet	28
• Cash Flow Statement	29-30
Notes to the Accounts	31-71
Police Officer Pension Fund Account	72-73
Glossary of Terms	74-76
Annex A - Statement of Accounting Policies	77-94
Annex B – Technical Annex	
- Section A - Financial Instruments	95-99
- Section B - Pension Disclosures	100-109
- Section C - Segmental Reporting	110-115
Annex C – Annual Governance Statement	116-140

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

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

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

## Introduction

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

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

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

## Statutory Framework

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

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

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

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

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

## Our Organisation



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

# PCC Chief Finance Officer Narrative Report

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

## Our Goals

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

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

## Our People

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

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

## Chief Executive Report

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

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

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

# PCC Chief Finance Officer Narrative Report

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

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

## Finance Review

### 2015/16 Grant Settlement and Budget

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

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

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

### Summary Budget and Outturn

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

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

### In-Year Financial Performance

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

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

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

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

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

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

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

## The Financial Statements

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

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

## Movement in Reserves Statement

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

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

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

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

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

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

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

# PCC Chief Finance Officer Narrative Report

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

## Comprehensive Income and Expenditure Statement

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

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

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

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

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

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

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

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

## The Balance Sheet

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

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

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

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

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

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

## The Cash Flow Statement

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

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

# PCC Chief Finance Officer Narrative Report

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

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

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

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

## Police Officer Pension Fund Account

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

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

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

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

## Supporting Information to the Financial Statements

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

## Business Review

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

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

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

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

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

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

## Key Events

### April 2015

- 31 Independent Custody Visitors attend the ICV Annual Conference

# PCC Chief Finance Officer Narrative Report

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

## May 2015

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

## June 2015

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

## July 2015

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

## September 2015

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

## October 2015

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

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

## November 2015

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

## December 2015

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

## January 2016

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

## February 2016

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

## March 2016

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

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

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

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## April 2016

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

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## May 2016

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

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## Performance Report

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

### Effective Policing

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

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

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

### Community Safety

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

### Criminal Justice

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

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

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

## Customer and Victim Satisfaction

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

## Finance & Value for Money

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

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

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

## The Future Outlook

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

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

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

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

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

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

## Acknowledgements

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

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

Ruth Hunter

PCC Chief Finance Officer

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

\_\_\_\_\_  
Ruth Hunter CPFA

PCC Chief Finance Officer

Date : 28 July 2016

\_\_\_\_\_  
Peter McCall

The Police and Crime Commissioner for Cumbria

Date : 28 July 2016

## 1 The Commissioner's Responsibilities

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

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

## 2 The PCC Chief Finance Officer's Responsibilities

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

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

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

The PCC CFO has also:

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

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

## 3 The Chief Constable's Responsibilities

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

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

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

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

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

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

The Chief Constable's CFO has also:

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

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



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

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

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

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

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

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

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

## Opinion on other matters

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

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

We are required to report to you if:

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

# Independent Auditor's Report

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

We have nothing to report in these respects.

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

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

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

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

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

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

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

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

## **Conclusion**

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

## **Certificate**

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

**Fiona Blatcher**

Fiona Blatcher

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

Grant Thornton UK LLP

4 Hardman Square

Spinningfields

Manchester

M3 3EB

28 July 2016

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

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

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

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

The expenditure in the statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

### Comprehensive Income and Expenditure Statement Categories

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

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

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

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

#### **Corporate and Democratic Core Costs:**

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

#### **Non Distributed Costs:**

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

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

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

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

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

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

- **Cash Flow Statement** - This statement shows the changes in cash and cash equivalents of the Commissioner during the reporting period. The statement shows how the Commissioner generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Commissioner are funded by way of taxation and grant income or from the recipients of services. Investing activities represent the extent to which cash outflows have been generated from resources which are intended to contribute to the Commissioner's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

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

# Movement in Reserves Statement – Group

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

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

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

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

# Movement in Reserves Statement – PCC

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

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

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

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

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

# Comprehensive Income and Expenditure Statement - Group

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

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

# Comprehensive Income and Expenditure Statement - PCC

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

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

# Balance Sheet – PCC & Group

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

# Cash Flow Statement – PCC & Group

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

# Cash Flow Statement – PCC & Group

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

## Index of Notes to the Accounts

Note	Title	Page
1	Critical Judgements in Applying Accounting Policies .....	32
2	Events after the Balance Sheet Date.....	32
3	Assumptions made about the future and other Sources of Estimation Uncertainty .....	33
4	Adjustments between Accounting Basis and Funding Basis under Regulations.....	34
5	Transfers to/from Earmarked Reserves .....	38
6	Property, Plant and Equipment.....	40
7	Assets Held for Sale.....	44
8	Intangible Assets .....	45
9	Private Finance Initiative (PFI).....	46
10	Leases .....	48
11	Short-term Debtors .....	49
12	Short-term Creditors .....	50
13	Provisions .....	51
14	Financial Instruments.....	52
15	Pensions .....	52
16	Usable Reserves .....	53
17	Unusable Reserves .....	54
18	Related Party Transactions .....	58
19	Members Allowances and Expenses .....	59
20	Disclosure of Remuneration for Senior Employees .....	59
21	Employee Remuneration .....	62
22	Exit Packages .....	63
23	Termination Payments .....	63
24	Audit Fees.....	64
25	Grant Income .....	65
26	Grants Receipts in Advance.....	65
27	Income from Council Tax .....	66
28	Contingent Liabilities.....	67
29	Capital Expenditure and Capital Financing .....	67
30	Capital Commitments.....	69
31	Minimum Revenue Provision .....	70
32	Accounting Standards that have been Issued but have not yet been Adopted .....	70

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

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

## 1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in pages 77 to 94 of this document, the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

## 2 Events after the Balance Sheet Date

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

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

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

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

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

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

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

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

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

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

# Notes to the Accounts

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

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

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

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

# Notes to the Accounts

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

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

## 5 Transfers to/from Earmarked Reserves

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

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

## Transfers to/from Earmarked Reserves (Continued)

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

# Notes to the Accounts

## 6 Property, Plant and Equipment

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

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

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



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

# Notes to the Accounts

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

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



## 6.a Valuations Rolling Programme

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

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

## 6.b Impairment Review

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

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

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

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

# Notes to the Accounts

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

## 6.d Effects of Changes in Estimates

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

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

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

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

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

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

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

## 7 Assets Held for Sale

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

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

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

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



## 8 Intangible Assets

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

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

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

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

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

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

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

## 9 Private Finance Initiative (PFI)

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

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

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

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



West TPA HQ – Hall Brow, Workington

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

# Notes to the Accounts

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

## 9.a Movement on Fixed Assets

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

## 9.b PFI Finance Lease Liability

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

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

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

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

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

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

## 10 Leases

### 10.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

### 10.b Operating leases

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

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

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

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

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



North TPA HQ – Durranhill, Carlisle

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

## 11 Short-term Debtors

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

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

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

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

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

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

## 12 Short-term Creditors

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

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

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

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

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

## 13 Provisions

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

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

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

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

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

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

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

## 14 Financial Instruments

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

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

The disclosures include:

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

## 15 Pensions

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

The disclosures include:

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

## 16 Usable Reserves

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

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

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

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

## 17 Unusable Reserves

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

Certain reserves are kept to manage the accounting processes for [non-current assets](#), financial instruments, retirement and employee benefits and do not represent usable resources for the Commissioner.

### 17.a Revaluation Reserve

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

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

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

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

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

## 17.b Capital Adjustment Account

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

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

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

## 17.c Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements.

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

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

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

## 17.d Accumulated Absences Account

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

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

## 17.e Pensions Reserve

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

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

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

## 18 Related Party Transactions

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

### 18.a Chief Constable for Cumbria Constabulary

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

### 18.b Central Government

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

### 18.c Members

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

### 18.d Officers and Employees

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

### 18.e Other Public Bodies

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

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

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

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

## 19 Members Allowances and Expenses

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

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

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

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

## 20 Disclosure of Remuneration for Senior Employees

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



# Notes to the Accounts

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

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

## Notes:

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

# Notes to the Accounts

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

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

## Notes:

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

## 21 Employee Remuneration

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

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

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

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

## 22 Exit Packages

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

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

## 23 Termination Payments

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

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

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

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

## 24 Audit Fees

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

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

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

## 25 Grant Income

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

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

## 26 Grants Receipts in Advance

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

## 27 Income from Council Tax

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

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

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

The comparative information for 2014/15 is as follows:

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

## 28 Contingent Liabilities

### *Injury pensions*

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

### *Appeal Court Judgement*

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



## 29 Capital Expenditure and Capital Financing

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

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

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

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

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

## 29.a Capital Financing

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

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

## 30 Capital Commitments

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

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

## 31 Minimum Revenue Provision

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

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

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

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

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

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

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

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

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



# Police Officer Pension Fund Account

## Police Officer Pension Fund Account

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

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

## Net Assets Statement

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

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

## Accounting Policies

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

## Operation of Police Pensions Schemes

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

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

## Funding of Police Pension Schemes

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

# Glossary of Terms

## Accruals

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

## ACPO

The Association of Chief Police Officers.

## Actuarial Valuation

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

## Agency Costs

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

## Amortisation/Amortised Cost

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

## Budget

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

## Capital Adjustment Account

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

## Capital Expenditure

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

## Capital Financing Requirement (CFR)

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

## Capital Receipt

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

## Cash and Cash Equivalents

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

## CC

The Chief Constable for Cumbria Constabulary.

## CC CFO

The Chief Constable's Chief Finance Officer.

## Chief Constable

The Chief Constable for Cumbria Constabulary.

## CIPFA

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

## Commissioner

The Police and Crime Commissioner for Cumbria.

## Componentisation

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

## Contingency

A sum set aside to meet unforeseen expenditure.

## Creditors

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

# Glossary of Terms

## Debtors

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

## Depreciation

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

## De-minimis

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

## Direct Revenue Contributions (DRC)

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

## Earmarked Reserves

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

## Fair Value

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

## Hedge Funds

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

## Heritage Assets

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

## HMIC

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

## Impairment/Impaired

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

## Investment Property

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

## Leasing

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

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

## Minimum Revenue Provision (MRP)

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

## Non-current Assets

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

## PCC

The Police and Crime Commissioner for Cumbria.

## PCC CFO

The Police and Crime Commissioner's Chief Finance Officer.

## Pension actuarial gains and losses

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

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

## Pension – current service costs

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

## **Pension – defined benefit scheme**

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

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

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

## **Pension – interest costs**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **Pension - past service costs**

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

## **Police Objective Analysis (POA)**

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

## **Precept**

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

## **Private Equity Funds**

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

## **Provision**

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

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

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

## **Reserves**

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

## **Revaluation Reserve**

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

## **SERCOP**

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

## **The Commissioner**

The Police and Crime Commissioner for Cumbria.

## **TPA**

Territorial Policing Area.

# Annex A - Statement of Accounting Policies

## 1 General Principles

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

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

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

## 2 Accruals of Income and Expenditure

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

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

# Annex A - Statement of Accounting Policies

## Accrual Example 1

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

## Accrual Example 2

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

### 3 Cash and Cash Equivalents

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

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

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

### 4 Exceptional Items

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

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

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

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

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

# Annex A - Statement of Accounting Policies

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

## 6 Charges to Revenue for Non-Current Assets

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

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

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

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

## 7 Employee Benefits

### 7.1 Employee Benefits payable during Employment

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

# Annex A - Statement of Accounting Policies

## 7.2 Termination Benefits

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

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

## 8 Post-Employment Benefits

### 8.1 General

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

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

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

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

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

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

# Annex A - Statement of Accounting Policies

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

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

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

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

## 8.2 Police Officers

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

# Annex A - Statement of Accounting Policies

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

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

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

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

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

## 8.3 Police Staff

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

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

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

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

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

# Annex A - Statement of Accounting Policies

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

## 9 Events after the Balance Sheet Date

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

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

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

## 10 Financial Instruments - Financial Liabilities

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

## 11 Financial Instruments - Financial Assets

Financial assets are classified into two types:

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

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

# Annex A - Statement of Accounting Policies

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

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

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

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

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

## 12 Government Grants and Contributions

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

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

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

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

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

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

# Annex A - Statement of Accounting Policies

## 13 Intangible Assets

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

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

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

## 14 Inventories

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

## 15 Leases

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

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

### 15.1 Finance leases (as Lessee)

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

# Annex A - Statement of Accounting Policies

Lease payments are apportioned between:

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

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

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

## 15.2 Operating Leases (as Lessee)

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

## 15.3 Finance Leases (as Lessor)

There are currently no finance leases as a lessor.

## 15.4 Operating Leases (as Lessor)

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

## 16 Treatment of Overheads

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

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

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

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

# Annex A - Statement of Accounting Policies

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

## 17 Property, Plant and Equipment

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

### 17.1 Recognition

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

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

### 17.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

# Annex A - Statement of Accounting Policies

Road, Carlisle CA1 2BT.

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

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

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

## 17.3 Impairment

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

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

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

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

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

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

## 17.4 Depreciation

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

Depreciation is calculated on the following bases:

# Annex A - Statement of Accounting Policies

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

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

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

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

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

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

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to [non-current assets](#) and valued at the lower of:

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

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

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

# Annex A - Statement of Accounting Policies

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

## 17.6 Capital Receipts

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

## 17.7 Component Accounting

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

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

## 18 Investment Property

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

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

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

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

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

# Annex A - Statement of Accounting Policies

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

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

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

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

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

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

## 20 Heritage Assets

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

## 21 Provisions, Contingent Liabilities and Contingent Assets

### 21.1 Provisions

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

[Provisions](#) are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the

# Annex A - Statement of Accounting Policies

relevant risks and uncertainties. Details of provisions made during the year are shown in the notes to the accounts (note 13, page 51).

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

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

## 21.2 Contingent Liabilities

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

## 21.3 Contingent Assets

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

## 22 Reserves

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

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

## 23 Material Estimation Techniques

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

### 23.1 Pension Disclosure Note:

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

# Annex A - Statement of Accounting Policies

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

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

## 23.2 Property Revaluations

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

## 24 Collection Fund

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

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

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

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

The Comprehensive Income and Expenditure Statement shows the share of cash collected in relation to

## Annex A - Statement of Accounting Policies

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

### 25 Value Added Tax (VAT)

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

## Section A - Financial Instrument Disclosures

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

### A1 Categories of Financial Instrument

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

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

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

### A2 Gains and Losses on Financial Instruments

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

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

## Annex B – Technical Annex

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

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

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

The fair values calculated are as follows:

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

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

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

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

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

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

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

### A4 (i) Credit Risk

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

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

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

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

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

## Annex B – Technical Annex

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

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

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

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

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

### A4 (ii) Liquidity Risk

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

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

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

### A4 (iii) Market Risk

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

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

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

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

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

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

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

## Section B – Pensions Disclosures

### B1 Pension Schemes

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

The Commissioner participates in two pension schemes:

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

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

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

# Annex B – Technical Annex

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

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

## Annex B – Technical Annex

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

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

## Annex B – Technical Annex

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

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

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

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

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

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

- the deficit on the local government scheme will be made good by increased contributions and changes to benefits over the remaining working life of employees, as assessed by the scheme actuary
- finance is only required to be raised to cover police pensions when the pensions are actually paid.

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

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

## Annex B – Technical Annex

Reconciliation of present value of scheme liabilities for the group:

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

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

## Annex B – Technical Annex

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

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

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

## Annex B – Technical Annex

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

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

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

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

## Annex B – Technical Annex

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

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

### Basis for estimating assets and liabilities

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

## Annex B – Technical Annex

The principal assumptions used by the actuary have been:

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

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

### Sensitivity Analysis – LGPS Pension Scheme

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

## Annex B – Technical Annex

### Sensitivity Analysis – Police Pension Schemes

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

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

### Impact on the Commissioner's Cash Flows

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

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

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

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

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

## Section C – Segmental Reporting

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

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

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

## Annex B – Technical Annex

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

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

The figures for 2015/16 are as follows:

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

The comparative information for 2014/15 is as follows:

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

## Annex B – Technical Annex

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

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

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

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

The figures for 2015/16 are as follows:

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

The comparative information for 2014/15 is as follows:

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

# Annex B – Technical Annex

## C2 Subjective Analysis of Income and Expenditure - PCC

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

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

## Annex B – Technical Annex

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

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

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

The comparative information for 2014/15 is as follows:

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

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

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

## Annex B – Technical Annex

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

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

The figures for 2015/16 are as follows:

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

The comparative information for 2014/15 is as follows:

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



Police and Crime Commissioner for Cumbria

Annual Governance Statement 2015/16

# Annex C – Annual Governance Statement

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

## INTRODUCTION AND SCOPE OF RESPONSIBILITIES

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

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

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

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

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

## THE AIM OF THE GOVERNANCE FRAMEWORK

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

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

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

# Annex C – Annual Governance Statement

## REVIEW OF EFFECTIVENESS

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

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

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

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

### *Six Core Principles of Governance*

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

publication by CIPFA of a new framework for Good Governance.

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

## Annex C – Annual Governance Statement

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

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

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

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

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

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



# Annex C – Annual Governance Statement

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

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

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

## REVIEW OF REQUIREMENTS AND ARRANGEMENTS

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

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

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

## Annex C – Annual Governance Statement

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

During the course of 2015-16 the Commissioner's Executive Board received Constabulary reports covering a range of areas of performance including Her Majesty's Inspectorate of Constabulary (HMIC) performance measures to assess police effectiveness, efficiency and legitimacy (PEEL). The PEEL assessments for 2015 were assessed as 'good' for legitimacy and efficiency and 'requires improvement' for effectiveness. The reports enable the Commissioner to hold the Chief Constable to account. They help inform revisions to existing priorities and the setting of new priorities to meet emerging trends and better support the delivery of outcomes. On 6<sup>th</sup> July

2016, the incoming Police and Crime Commissioner held his first Public Accountability Conference to hold the Chief Constable to account for the performance of the 2015/16 financial year.

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

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

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

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

## Annex C – Annual Governance Statement

*“Both the PCC and Chief Constable’s draft accounts were authorised for issue on 28 May 2015 which was a significant achievement”*  
*Grant Thornton UK LLP Annual Audit Letter Oct 2015.*

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

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

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

financial year.

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

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

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

## Annex C – Annual Governance Statement

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

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

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

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

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

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

CP1/2: During 2016-17 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Quality framework to support collaborative and partnership working in delivering improvements in services to victims and develop compliance with the Victims' Code of Practice.

CP1/3: Arrangements for scrutiny of Constabulary performance will be reviewed to ensure that robust arrangements are in place following the Police and Crime Commissioner Elections.



## Annex C – Annual Governance Statement

### 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 (PRORA). The PRORA also sets out the function and roles of statutory officers, namely the Monitoring Officer (Chief Executive) and the Chief Finance Officer (CFO). The monitoring officer has specific legal, financial and governance duties in addition to a statutory responsibility for the lawfulness of decision making. The functions and roles set out in legislation and guidance are codified in the Commissioner's scheme of delegation. The scheme was revised during 2015-16 to take into account changes to reflect arrangements for business continuity and to align responsibilities for procurement with the review and update of the Commissioner's procurement regulations. The scheme has been subject to review by the Joint Audit and Standards Committee as part of the arrangement for reviews of governance.

The review of procurement regulations as part of those arrangements has resulted in the rules and guidance within the regulations being updated to incorporate the new requirements of the Public Contracts Regulations 2015. There have also been changes to how the procurement team engage with the business to support procurement activity, including a reduction in the financial threshold over which a procurement business partner will lead and support the procurement activity. This follows a restructuring of the team to consolidate procurement support and expertise and enhance

its role within the business as category managers, improving value for money.

During the year a formal review has been undertaken of the role of the Commissioner's Chief Finance Officer and the Head of Internal Audit (HIA) against the respective CIPFA statements. The self-assessments were subject to further review by the Joint Audit and Standards Committee. The outcome from the process has concluded that the Chief Finance Officer and HIA is fully compliant with the CIPFA role. The role of the Joint Audit and Standards Committee has also been reviewed during 2015-16 against the CIPFA guidance for Police Audit Committees. The overall conclusions from the assessment is that the committee is highly effective in its operation, evidencing substantial support, influence and persuasion in carrying out its functions.

The Commissioner continues to operate his statutory Independent Custody Visiting Scheme. During the course of the year a number of volunteers have been recruited across the four panels to maintain an overall number as close to forty eight as is possible. In the period 1 February 2015 to 31 January 2016 they made 191 visits, spoke to 221 detainees and observed a further 151 detainees. No serious issues were raised during any of the visits. The Animal Welfare Scheme, which looks at the welfare of police dogs, is composed of nine volunteers drawn from the ICV scheme who have been appointed to undertake this role. The Civil Nuclear Constabulary also utilise the nine volunteers from the Animal Welfare

# Annex C – Annual Governance Statement

Scheme to carry out a similar function for them. This arrangement works well to the mutual benefit of both Cumbria Constabulary and the Civil Nuclear Constabulary.

During the last year, the Commissioner has continued to build on partnership working to address priorities in the Police and Crime Plan, in addition to supporting and funding local agencies and groups to help tackle some of the priority areas. These activities have included:

- Continuing the role of Chair of the Safer Cumbria Partnership Delivery Group, to tackle crime and disorder bringing together public services such as councils, health, probation and voluntary groups.
- Working with partners on an action plan to tackle hate crime.
- Working with leaders and chairs of the county's key public and voluntary sector agencies as a member of the Cumbria Leaders' Board
- Working to help address alcohol, drug and mental health issues, often contributing factors in crime, through working jointly with Health and wider partners.
- Providing funding for Cumbria's three Community Safety Partnerships to tackle local issues in relation to crime and disorder, focusing on domestic violence, local crime prevention, and antisocial behaviour.
- Supporting community groups to reduce crime and tackle antisocial behaviour through a Police and Crime Property Fund, Community Fund and Innovation Fund.

The Commissioner's Executive Board continues to meet in public with meetings regularly attended by various representatives of the media and members

of the public. There is a facility for members of the public to ask questions of the Commissioner, which has been used by a one person in the course of the year. **The incoming Commissioner elected**

**in May 2016 has established a programme of Public Accountability Conferences continuing the commitment to public accessibility.**

## AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP2/1: Develop and introduce a new Code of Corporate Governance in response to the introduction of a new CIPFA Good Governance Framework and Guidance for Police expected in 2016-17.

CP2/2: The Commissioner is working with health and local government partners to improve services for victims with mental health issues. Supported by the PCC, the Office of the Police and Crime Commissioner has secured funding from the Home Office Innovation Fund for the development of a multi-agency assessment and crisis centre.

CP2/3: Building on the work of the OPCC and partners during 2015-16 to embed Victim led Restorative Services, the OPCC will work with partners to increase the use of quality Restorative Justice through the ongoing development of a multi-agency approach.

CP2/4: During 2016-17 the OPCC will work with the newly elected PCC to develop and deliver a new Police and Crime Plan.

# Annex C – Annual Governance Statement

Core Principle 3: Promoting values for the Commissioner and demonstrating the values of good governance through upholding high standards of conduct and behaviour

## REVIEW OF REQUIREMENTS AND ARRANGEMENTS

2015-16 was the first full year of operation for the Ethics and Integrity Panel. During the year the Panel have carried out a number of dip samples of different areas of business, including complaints, police misconduct and staff misconduct cases to support high standards of ethics and integrity. The findings of that work, including recommendations, have been reported on a quarterly basis to the Commissioner's Executive Board to improve transparency and support public scrutiny. The Joint Audit and Standards Committee received the 2015-16 annual report of the Ethics & Integrity Panel in May 2016 to support assurances in respect of arrangements for standards and ethical governance.

As part of their work the panel has made a number of recommendations adopted by the Constabulary that aim to improve the quality of communications and public satisfaction in the complaints process. The work of the Panel has also resulted in improvements to the standards of case files for complaints which now document organisational learning arising from the complaint and how this has been disseminated to individuals and across the organisation. Misconduct files have been improved to document full audit trails that include identified welfare issues, return to work process and details of any Management Action. The Panel

have also been asked to specifically review and provide feedback on the Constabulary's Performance

Discretion Framework

which was introduced as part of the new Command and Control system. Following a HMIC review of Stop and Search the Panel were consulted regarding the data recorded for such searches and provided feedback to the Constabulary on their findings. They will review this area of business again in August 2016 following training being provide to all officers.

As part of the arrangements for complaints, the Commissioner receives letters directly from members of the public. In 2015 he received 12 complaints, 11 of which were passed to the Constabulary to respond to as they were regarding matters beyond his jurisdiction. Of the remaining complaint it was determined that the issues raised were not personal conduct matters.

During the same period the Commissioner received 291 letters of dissatisfaction raised by members of the public regarding the Constabulary and policing issues. These issues were raised with the Constabulary and monitored by OPCC staff to ensure a timely and appropriate solution was found. **Only one issue remains to be completed at**

*During 2015-16 the Ethics and Integrity Panel was able to make a number of recommendations that aim to improve the quality of communications and public satisfaction in respect of complaints.*

## Annex C – Annual Governance Statement

~~the end of 2015-16 and mediation is taking place to resolve the matter.~~

Complaints made against the Police and Crime Commissioner are dealt with by the Police and Crime Panel. During 2015-16 the panel received one complaint which was dealt with by way of a letter of explanation. Letters of compliment were also received from members of the public for the assistance provided by the Police and Crime Commissioner and members of staff.

In respect of the arrangements for standards, ethics and integrity, the Chief Executive is able to confirm that since the inception of the Office of the Police and Crime Commissioner, no complaints have been received from any member of staff or secondee in relation to the Commissioner. Neither has any complaint been made by the Commissioner about any member of staff. In respect of the period from 1st April 2015 to the date of issuing this statement, no issues have been raised with the Joint Audit and Standards Committee in respect of the operation of the Commissioner's Codes of Conduct/Protocols and the Committee has not received any appeals in relation to these matters.

The Commissioner has in place arrangements for anti-fraud and corruption. The arrangements in place during 2015-16 have been subject to internal review by the Deputy Monitoring Officer, with the outcome of that review reported to the Joint Audit and Standards Committee in May 2016. The review has concluded that arrangements are effective. The prior year cyclical audit concluded that there is substantial assurance in respect of the arrangements for anti-fraud and corruption and noted as a strength the clear promotion of high standards of integrity and ethical behaviour.

Whilst fraud risk remains low within the OPCC office, matters of integrity have been re-enforced in support of the aim of ensuring a high degree of awareness amongst staff in respect of appropriate conduct and behaviours. The Deputy Monitoring Officer has issued a monthly reminder to staff in respect of recording gifts and hospitality and/or supplier contact. Completed registers have been published on the Commissioner's website on a monthly basis and the Deputy Monitoring Officer has undertaken dip sampling between the registers and contracting activity.

In support of the requirements for audit of the financial statements, the Commissioner has submitted to the External Auditor the 2015-16 fraud risk assessment providing further assurances in respect of the arrangements to protect against fraud and corruption. Management assurance was further supported through the completion by the Commissioner and all staff of a register of interests form and a declaration of related party transactions. These forms were reviewed by the Chief Executive and Chief Finance Officer. ~~The Register of Interests are~~ published on the Commissioner's website for openness and transparency.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP3/1 During 2016-17 the scope and remit of the Ethics and Integrity Panel will be reviewed to maximise its on-going impact in improving arrangements for Ethics and Integrity.

# Annex C – Annual Governance Statement

## Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Commissioner makes decisions in line with his decision making policy which adheres to the Good Governance Standard for Public Services and the Good Administrative Practice 2. During the 2015-16 financial year the Commissioner made 46 decisions that have all been recorded and published on the Commissioner's website. The range of decisions made included finance and budget, estate, policies, police and crime plan, annual report, policing services and commissioning. All methods of communication such as media, social media and newsletters are used to further inform the public of key decisions.

Quality of Service Issues and Complaints play a significant role in influencing future decisions. The Commissioner is directly involved in many of the engagement activities and is aware of the issues being raised by members of the public. The Office of Public Engagement on a regular basis formally reports to the Commissioner's Executive Board identifying trends and linking to the development of the Police and Crime Plan.

The Office of Public Engagement is instrumental in influencing key decision making within the OPCC. The Commissioner carried out a wide range of public engagement events over the year to provide as many opportunities as possible for the public to engage with him, through a diverse range of communication and engagement methods. In 2014, an extensive public consultation was carried out regarding the setting of the police council tax

precept. To give additional context, local residents were also surveyed about their knowledge of what local police do; their satisfaction with Cumbria police; and recent contact with the police. This significant consultation was undertaken with a view of giving peoples view over a two year period and was used to inform the Commissioner's decision for the 2015-16 council tax precept and on the decisions taken in February 2016 for the 2016-17 precept and budget.

The Police and Crime Panel have met five times during 2015-16. All meetings are held in public, providing an open and transparent process for scrutinising the decisions and work of the Commissioner. The work programme of the Panel during 2015-16 placed a significant focus on the commissioning elements of the Police and Crime Plan and the implications for Cumbria of the Home Office Police Formula Funding Consultation. On January 25th 2016 the Panel considered the matter of the Commissioner's proposed precept. As part of this process the panel held a seminar meeting to undertake detailed scrutiny of revenue and capital budget plans, plans for savings proposals and the Commissioner and Constabulary's performance in delivering efficient and effective policing during 2015-16. The Panel decision was that they support the proposed police precept without qualification or comment.

The Joint Audit and Standards Committee has conducted five public meetings during 2015-16 and undertaken a significant amount of work to scrutinise and make recommendations in respect

## Annex C – Annual Governance Statement

of the Commissioner's arrangements for governance and the management of risk. This has included scrutiny of the Procurement Regulations, Code of Corporate Governance, Risk Management Strategy, Internal Audit Charter, Treasury Management Strategy, Statement of Accounts and Annual Governance Statement.

During 2015-16 work has been undertaken to develop the arrangements for risk management. This included making improvements to the arrangements for the Commissioner's risk registers, determining risk appetite, revising the methodology for scoring risks and developing the Risk Management Strategy in the context of this work. The process was supported by a CIPFA accredited trainer and the lead member for risk from the Joint Audit and Standards Committee. During the year, the Commissioner has received and scrutinised a quarterly report presented by the Chief Constable in respect of the Constabulary's management of strategic risks to enable the Commissioner to have oversight and scrutiny of the risks facing the Constabulary.

The Commissioner's arrangements for Risk Management include procedures for Business Continuity. During 2015-16 the Commissioner's business continuity arrangements were reviewed and a programme for updating and testing the business continuity plan was initiated. During the course of this review internal audit inspected the arrangements and made a number of recommendations for improvement. The new, fully codified processes and procedures for business continuity were reported to the Commissioner's Executive Board in July 2015 and have been tested to ensure they are working effectively.

Arrangements for Risk Management have been further assured through the delivery of the 2015-16 Internal Audit Plan. The Plan was developed on a risk based approach and substantially increased the number of days of audit work during the year from 180 to 232 as a consequence of widening the areas of audit coverage in line with the public sector audit standard. Of the 17 audits conducted, all other than one have received either reasonable or substantial assurance. The Audit Plan provides the basis for the Chief Internal Auditor's overall opinion on the control environment. The internal audit annual report for 2015-16 concludes that the Commissioner's frameworks for governance, risk and internal control are reasonable and that audit testing has confirmed that controls are generally working effectively in practice. During 2015-16 the Joint Audit and Standards committee have received quarterly reports monitoring the implementation of all audit recommendations.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP4/1: To ensure the continued effectiveness of the Joint Audit and Standards Committee as a scrutiny body, the programme of training/development activity for 2016-17 will include the design and delivery of a session on the incoming Commissioner's Police and Crime Plan.

## Annex C – Annual Governance Statement

### Core Principle 5: Developing the capacity and capability of the Commissioner and officers of the Commissioner to be effective.

#### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

A number of arrangements have been in place during 2015-16 to support the capacity and capability of the Commissioner and his Office. These include the receipt of regular APCC briefings in addition to guidance, codes of practice, regulations and legislation from a range of national bodies and organisations. Significant publications have included Grant Thornton's 'knowing the Ropes – Audit Committee Effectiveness Review 2015', CIPFA publications consulting on proposed changes to the Local Government Good Governance Framework and the new Accounts and Audit Regulations 2015.

The Chief Executive is further supported through the Association of Police and Crime Commissioner Chief Executives (APACCE). To provide peer support, APACCE members have developed a directory setting out the specialist subject matter areas of each member. At their regular meetings APACCE have also provided a forum to deliberate on key issues for the development and enhancement of the role of Police and Crime Commissioners. Advice and support is also available through the regional (North West and North Wales) Chief Executives Group, which meets on a quarterly basis. This Group has been chaired by Cumbria's Chief Executive during 2015-16. In addition the North West Joint Oversight Committee of Police and Crime Commissioners continues to meet regularly to take forward collaboration between forces and OPCCs in the region.

The delivery of a Corporate Development Day was held for all staff within the COPCC as part of the development of the COPCC's Business Plan. A Development Day was also held for all staff as part of the process for reviewing the Commissioner's risk management processes and procedures, together with a separate session for the Executive Team on strategic risk. All of these sessions were facilitated by a CIPFA accredited trainer.

The Chief Finance Officer continues to receive support from the Police and Crime Commissioner's Treasurer's Society (PaCCTS) and the associated technical information service. During 2015-16 this has included significant briefing and analysis of the proposed changes to Police Formula Funding, the 2015 Comprehensive Spending Review and 2016-17 Police Grant settlements. Officers within the finance team have attended annual technical update and development events run by CIPFA. This has included CIPFA's 2015 Developments in Police Finance Forum's at which the CFO and Deputy CFO were invited to present on early financial closedown.

The Chief Finance Officer and finance staff with treasury management responsibilities have held quarterly briefing meetings with Arlingclose, the Commissioner's external treasury management advisors. This facilitates a high level of awareness within the team of the current economic climate and regulatory changes, both of which impact on the risks and opportunities for counter-party investment. Arlingclose also delivered a seminar on 9th March 2016 for members of the Joint Audit

## Annex C – Annual Governance Statement

and Standards Committee prior to their scrutiny of the Treasury Management Strategy. Further specialist advice has been received from the Commissioner's Insurance brokers in respect of the annual renewals on insurance. This advice has supported decision making during 2015-16 in respect of increasing the level of employee/public liability insurance cover and supported a more detailed review and decision making on insurances not currently taken on the basis of cost and risk.

The Office of Public Engagement has continued to develop its range of effective community engagement methods, to ensure all sections of the community are reached. The Commissioner worked with a number of Neighbourhood Forums run by the County Council to capitalise on their tried and tested format and ensure good attendance.

The Commissioner, through his Victim's Advocate, created a Victim's Consultation Group, who operate in a 'focus group' style to look in depth at certain policy issues at the time of policy formation. This year the Group contributed to the development of the Cumbria Together website, which is an information portal aimed at sign-posting victims to where they can get help, support and guidance. The Group also contributed to the development of the Bridgeway and emerging themes and priorities for the new Police and Crime Plan. The internal restructure that took place in 2014 placing more emphasis on partnerships, victims support and victim's advocacy has embedded well during 2015-16. The capacity and skills are now in place to ensure that the Commissioner's wider responsibilities for

community safety, enhancing criminal justice and supporting victims are met.

All staff within the office participate in a personal development review process to ensure they have the skills to be effective in their roles. Staff also have regular one-to-one sessions with their line manager. Specific training has been provided for staff in the areas of advanced Microsoft Word, Excel, Freedom of Information, media management, project management, risk management, coaching and fire safety.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. Against the self-assessment checklist the committee achieves a consistent grade of 4 or 5 (against a maximum of 5) across all areas. For those functions not included within the checklist, incorporating the wider functions of the committee, there is evidence to demonstrate compliance with CIPFA guidance and elements constituting best practice. The review confirmed that the Committee has during 2015-16 implemented areas identified for developed from the 2014-15 review. Further areas for development are identified for 2016-17 to provide for continuous improvement. The full report of the Committee can be found on the Commissioner's website at:

<http://www.cumbria-pcc.gov.uk/governance-transparency/audit-committee.aspx>.

There have been a significant number of changes of personnel on each of the Custody Visiting Panels during this year and the Scheme Administrator has run a number of recruitment campaigns to attract

## Annex C – Annual Governance Statement

new candidates for appointment. Induction training courses have been run for newly-appointed visitors in Workington, Barrow, Carlisle and Penrith throughout 2015-16. Membership of the four panels at the end of 2015-16 stood at Barrow 10; Kendal 8; North Cumbria 12 and West Cumbria 11.

The Cumbria ICV Annual Conference was held on Saturday 25th April 2015 with 31 Custody Visitors attending. The Commissioner opened the conference and held a question and answer session along with the Chief Constable. Among the topics this year was: Changes within Custody; Suicide Awareness Training and Healthcare in Custody. The delegates undertook a number of workshop exercises focusing on developing good practice in Custody Visiting and a series of scenario discussions aimed at improving practice in the Cumbria ICV scheme.

In addition to the Cumbria Conference, a number of ICV's attended the Regional Conference held on 24 October 2015. The event covered a range of issues including Vulnerable People in Custody; Learning Disabilities and Difficulties in Custody; the Liaison and Diversion programme for Mentally Disordered Offenders.

During 2015-16 the Ethics and Integrity Panel has developed and enhanced its role. This has included

undertaking "deep dives" of specific areas of activity such as Stop and Search and contributing to reviews of ways of working within the Constabulary, such as the changes introduced within the Constabulary's Communication Centre. This work has led to recommendations being made to the Constabulary with a view to the enhancement and/or improvement of the service. Stop and Search will be reviewed in August 2016 to gauge progress. In undertaking these new activities the focus has been on the ethical implications of the proposals or the way in which the activity is undertaken.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP5/1: Arrangements for induction of new Joint Audit and Standards Committee members will be developed and formalised. This will include an operational development day with the Constabulary to which all members will be invited.

CP5/2: Undertake a review of the arrangements for Independent Custody Visiting within Cumbria, fully engaging with the Independent Custody Visitors as part of that review.



# Annex C – Annual Governance Statement

## Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Policing Protocol Order highlights the accountability of the Police and Crime Commissioner to local people. This responsibility is delivered through an Office of Public Engagement to ensure a wide range of engagement approaches so that the Commissioner actively listens, considers and effectively uses the views of the people of Cumbria and is accountable.

During 2015-16, the Commissioner has:

- Spoken to the public at more than 100 public engagement events, ranging from public meetings, surgery style events, 'drop-ins' at supermarket cafés, walkabouts with Constabulary Neighbourhood Policing Teams;
- Attended a number of county council neighbourhood forums, community meetings, parish councils, meetings with various groups i.e. businesses, youth, and agricultural shows;
- Attended a significant number of meetings with local councillors, leaders and MPs;
- Sponsored and spoke at the Cumbria Neighbourhood Watch Association annual conference, where the theme was Local Resilience;
- Worked with the National Rural Crime Network (NRCN) to highlight national the issues with rural crime and contribute to the largest rural crime survey to ascertain the levels of rural crime and how the police can better serve rural communities;
- Sponsored and attended the 'Know Your Criminal Justice Day', run in collaboration with

People First, the Crown Prosecution Service, Cumbria Constabulary and HM Courts Services, aimed at helping those with learning and physical disabilities understand how to report hate crime and what they can expect of the criminal justice system, with the aim of encouraging the reporting of hate crime incidents;

- Awarded a grant to Young Cumbria to consult with young people about how the police interact with them and what needs to be improved;
- Published online and circulated by email and community messaging, a regular newsletter, and contributed to other newsletters;
- Taken part in a wide range of media activities and interviews through a range of communication methods;
- Conducted surveys on rural crime, and policing priorities, through a mixture of both online and face-to-face methods during themed engagement events;
- Promoted events and activities and maintained a presence using social media i.e. Twitter and Facebook;
- Responded to over 291 'Quality of Service' complaints from members of the public.

During the course of the year the Commissioner has engaged with the Police and Crime Panel as part of the review processes for the Police and Crime Plan.

## Annex C – Annual Governance Statement

The Panel has developed jointly with the Commissioner a programme to support engagement and accountability in respect of priority areas from within the Plan. During 2015-16 the panel focused accountability on the two thematic areas, these being: 'Victims: Ensure victims of crime have access to support and redress'; Domestic Abuse, Sexual Violence and Hate Crime: reduce harm by targeting domestic abuse and sexual violence, reduce harm caused by hate crime. The panel has received regular reports on the work, activity and outcomes in respect of these themes and has provided scrutiny and support in respect of the on-going delivery of these priorities.

During 2015-16 the Commissioner has also prepared for publication the final annual report of his term of office. The annual report, entitled "Making Cumbria an Even Safer Place", includes information on how the Commissioner has responded to issues raised during community engagement activity and how engagement has informed future priorities.

As part of the arrangements for financial accountability, the Commissioner's audited accounts for the 2014-15 financial year were signed by the independent auditors and published on the Commissioner's website. The auditor's opinion was that the Statements provided a true and fair view of the financial position and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting. The auditors further confirmed in their Audit Findings Report a positive conclusion with regards to securing value for money. Throughout the year the Commissioner has

published financial monitoring information that reports progress in respect of the capital and revenue budgets and treasury management activities for 2015-16.

To further support public accountability a range of information has been made available through the Commissioner's website over the course of the year. This has included agenda and reports for the public Executive Board meetings and the Joint Audit and Standards Committee, guidance and application packs for the Commissioner's three funds, Freedom of Information disclosure logs, financial information and strategies. In the latter part of 2015-16 a section of the website has been developed to provide information relevant to potential candidates for the Police and Crime Commissioner elections to be held in May 2016.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP6/1 Develop a new Office of Public Engagement strategy to ensure it embraces the new Commissioner's vision for engaging with local people and stakeholders.

CP6/2 Following the Police and Crime Commissioner elections in May 2016 wider engagement activity will take place with a range of partners/stakeholders as part of the process to develop and implement the new Police and Crime Plan and Partnership Strategy.

CP6/3 Following the Police and Crime Commissioner Elections in May 2016 and subsequent work to develop the new Police and Crime Plan the Commissioning strategy will be reviewed to ensure that commissioning intentions reflect manifesto priorities.

# Annex C – Annual Governance Statement

## APPENDICES TO THE ANNUAL GOVERNANCE STATEMENT

- Appendix A: 2016-17 Development And Improvement Plan
- Appendix B: 2015-16 Development And Improvement Plan Update

## FURTHER INFORMATION

Further information on the arrangements for Governance can be found on the Commissioner’s website under the tab headed Governance and Transparency.

We welcome your views on the Commissioner’s Annual Governance Statement. You can do this by using the contact information below:

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\*Peter McCall  
Police and Crime Commissioner for Cumbria

\*Stuart Edwards  
Chief Executive

\*Ruth Hunter  
Chief Finance Officer/ Deputy Chief Executive

\*Signatures are removed for the purposes of Publication on the website

# Annex C – Annual Governance Statement

## APPENDIX A: 2016-17 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Responsibility	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.		
CP1/1	Achieve publication of the audited financial statements by end July 2016.	Chief Finance Officer	31 July 2016
CP1/2	During 2016-17 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Quality framework to support collaborative and partnership working in delivering improvements in services to victims and develop compliance with the Victims' Code of Practice.	Head of Partnerships and Commissioning	31 March 2017
CP1/3	Arrangements for scrutiny of Constabulary performance will be reviewed to ensure that robust arrangements are in place following the Police and Crime Commissioner Elections. <b>Achieved, first Public Accountability Conference held 6<sup>th</sup> July 2016.</b>	Head of Partnerships and Commissioning	31 July 2016
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.		
CP2/1	Develop and introduce a new Code of Corporate Governance in response to the introduction of a new CIPFA Good Governance Framework and Guidance for Police expected in 2016-17.	Chief Executive/Chief Finance Officer	30 June 2016
CP2/2	The Commissioner is working with health and local government partners to improve services for victims with mental health issues. Supported by the PCC, the Office of the Police and Crime Commissioner has secured funding from the Home Office Innovation Fund for the development of a multi-agency assessment and crisis centre.	Head of Partnerships and Commissioning	31 March 2018
CP2/3	Building on the work of the OPCC and partners during 2015-16 to embed Victim led Restorative Services, the OPCC will work with partners to increase the use of quality Restorative Justice through the ongoing development of a multi-agency approach.	Head of Partnerships and Commissioning	31 March 2017
CP2/4	During 2016-17 the OPCC will work to support the newly elected PCC to develop and implement a new Police and Crime Plan	Head of Partnerships and Commissioning	31 December 2016
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.		

## Annex C – Annual Governance Statement

CP3/1	During 2016-17 the scope and remit of the Ethics and Integrity Panel will be reviewed to maximise its on-going impact in improving arrangements for Ethics and Integrity.	Chief Executive	30 March 2017
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.		
CP4/1	To ensure the continued effectiveness of the Joint Audit and Standards Committee as a scrutiny body, the programme of training/development activity for 2016-17 will include the design and delivery of a session on the incoming Commissioner's Police and Crime Plan.	Head of Partnerships & Commissioning/ Chief Finance Officer	30 September 2016
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.		
CP5/1	Arrangements for induction of new Joint Audit and Standards Committee members will be developed and formalised. This will include an operational development day with the Constabulary to which all members of JASC will be invited.	Chief Finance Officer	30 September 2016
CP5/2	Undertake a review of the arrangements for Independent Custody Visiting within Cumbria, fully engaging with the Independent Custody Visitors as part of that review.	Chief Executive	30 March 2017
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.		
CP6/1	Develop a new Office of Public Engagement strategy to ensure it embraces the new Commissioner's vision for engaging with local people and stakeholders.	Head of Communications and Business Services	30 September 2016
CP6/2	Following the Police and Crime Commissioner elections in May 2016 wider engagement activity will take place with a range of partners/stakeholders as part of the ongoing process to develop and implement the new Police and Crime Plan and Partnership Strategy.	Head of Partnerships and Commissioning	31 December 2016
CP6/4	Following the Police and Crime Commissioner Elections in May 2016 and subsequent work to develop the new Police and Crime Plan the commissioners commissioning strategy will be reviewed to ensure that commissioning intentions reflect manifesto priorities.	Head of Partnerships and Commissioning	31 December 2016

# Annex C – Annual Governance Statement

## APPENDIX B: 2015-16 DEVELOPMENT AND IMPROVEMENT PLAN UPDATE

Ref	Action	Action Update	Responsibility	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.			
CP1/1	Preparation for earlier financial accounts deadlines: Achieve unaudited publication by 4 <sup>th</sup> June/audited publication by 10 <sup>th</sup> September.	<b>Partially Achieved:</b> Unaudited accounts published on 28 <sup>th</sup> May 2015. Audited accounts achieved a deadline of 23 <sup>rd</sup> September. This was as a result of national technical issues beyond the control of the Commissioner/Local Audit team.	Chief Finance Officer	Sept 2015
CP1/2	Work to develop financial models to respond to the funding announcements expected following the general election will continue during 2015-16 as further information is received on the new police funding formula and the 2015 comprehensive spending review	<b>Achieved.</b> A number of funding models were developed during the Summer in response to the Home Office Police Funding consultation. These have been incorporated within the 2016-2020 medium term financial strategy.	Chief Finance Officer	Dec 2015
CP1/3	During 2015-16 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Strategy to support collaborative and partnership working.	<b>Partially achieved.</b> A draft strategy has been produced. As we are in an election year further work on the strategy will take place following the May 2016 election to ensure that the priorities of the incumbent PCC are reflected in any future partnership and collaborative working	Head of Partnerships and Commissioning	March 2016
CP1/4	Arrangements for scrutiny of Constabulary performance reports will be reviewed to facilitate OPCC officer input and review prior to presentation at the Executive Board.	<b>Achieved.</b> Arrangements have been reviewed and include support and dialogue with the Office of the Police and Crime Commissioner regarding the requirements and content of reports. Once completed reports are tabled at the Accountability Board for scrutiny by constabulary and Office of the Police and Crime Commissioner.	Head of Partnerships and Commissioning	March 2016
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.			
CP2/1	Work with partners to deliver a sexual assault referral centre and joined-up system of follow-up health and emotional support services.	<b>Achieved.</b> The Bridgeway Sexual Assault Referral Centre was formerly opened in December 2015. Support Services for ISVA and Counselling have been	Head of Partnerships and Commissioning	March 2016

## Annex C – Annual Governance Statement

		commissioned.		
CP2/2	Building on the work of the OPCC and partners, develop Victim led Restorative Services	<b>Achieved.</b> The RJ HUB delivering Victim led restorative services is operational. A provider has been commissioned to take the RJ model forward.	Head of Partnerships and Commissioning	March 2016
CP2/3	Work with partners to develop and deliver a Victim and Witness Strategy to deliver improvements in services to victims and develop compliance with the Victims' Code of Practice.	<b>Partially achieved.</b> A Victims and Witnesses Needs Assessment has been completed. As we are in an election year further work will take place following the May 2016 election to ensure that the priorities of the incumbent PCC are reflected in any future work that supports services for victims and witnesses.	Head of Partnerships and Commissioning	March 2016
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.			
CP3/1	Update and develop policy and guidance arrangements for complaints to ensure arrangements are accessible and to encourage a positive culture for receiving and addressing issues that have given rise to a complaint.	<b>Achieved:</b> During 2015 – 16 work has been undertaken to ensure the correct guidance and procedures are in place to ensure complaints are dealt with fairly and robustly.	Head of Communications and Business services	March 2016
CP3/2	Develop arrangements for complaints in respect of national proposals regarding changes to the police complaints system.	<b>Achieved:</b> The OPCC has taken part in the consultation, the recruitment process and will continue to monitor as this new process embeds.	Head of Communications and Business services	March 2016
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.			
CP4/1	Establish a training and development programme for Joint Audit and Standards Committee Members within the Committee's annual work programme.	<b>Achieved:</b> During 2015-16 members have undertaken training/development including treasury management, police crime recording, and the medium term financial strategy and change programme. JASC agenda's include a Corporate Update to ensure members are briefed on current/topical issues pertinent to Governance.	Chief Finance Officer	June 2015
CP4/2	Further develop arrangements for risk management including review of risk registers, scoring methodology, risk appetite and the risk management strategy	<b>Achieved:</b> During 2015-16 arrangements for risk management - including review of risk registers, scoring methodology, risk appetite and the risk management	Chief Executive	Sept 2015

## Annex C – Annual Governance Statement

		strategy – have been reviewed and re-written. This process was facilitated by a CIPFA accredited trainer and involved all the staff of the COPCC.		
CP4/3	Arrangements will be made to formally codify all elements of the Commissioners business continuity arrangements and initiate a programme for updating and testing the business continuity plan.	<b>Achieved:</b> The OPCC Business Continuity plan is now an embedded policy within the Office. The Business Continuity plans were approved at the March Executive Board.	Head of Communications and Business services	Sept 2015
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.			
CP5/1	Complete work supported by North West employers to implement a bespoke suite of Human Resource Policies appropriate to the management of the Commissioner's office.	<b>Achieved:</b> The HR policies are now completed and fully functional.	Head of Communications and Business services	March 2016
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.			
CP6/1	During 2015-16 work will be undertaken to improve the quality of engagement with and reporting to the Police and Crime Panel, with a focus on member's contribution to the development of priorities for the new Police and Crime Plan.	<b>Achieved:</b> An annual programme of work has been developed and considered by the Police and Crime Panel. Implementation of the programme of work has included consultation with the panel on the development of the new Police and Crime Plan.	Head of Partnerships and Commissioning/ Head of Communications and Business services	May 2016
CP6/2	During 2015-16 wider engagement activity will take place with a range of partners/stakeholders as part of the process to develop the new Police and Crime Plan.	<b>Achieved:</b> A programme of engagement activity has taken place to develop themes and priorities as part of the process to develop the new Police and Crime Plan. This includes – focus groups, a stakeholder event and completion of a victims and witnesses needs assessment.	Head of Partnerships and Commissioning/ Head of Communications and Business services	May 2016



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## The Chief Constable for Cumbria Constabulary

Item 9 (i)

### Annual Statement of Accounts 2015-16: Assurance Framework

PCC Executive Board & Joint Audit and Standards Committee 28 July 2016

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 2015-16 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 Ms Blatcher 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.

#### 2. Formal Approval of the Audited Statements

2.1 The Statement of Accounts were authorised by the Chief Finance Officer on 23rd May 2016 in accordance with the 2015 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. Unlike previous years, due to the timing of meetings, it was not possible for the Committee to receive a pre-audit draft of the accounts prior to issue. However, the Committee will receive the post audit Statement of Accounts and the Audit Findings Report and will have a final opportunity to 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 2015-16. 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 2016 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 identified two misstatements in respect of the principle statements within the Chief Constable's accounts, although neither has an impact on the bottom line financial position. The misstatements are as follows:-

In relation to the capital project to implement a Converged ICT Infrastructure a creditor accrual of £2.17m was included in the accounts, representing work completed on the project but not paid for at the year end. It was subsequently identified that £240k of the accrued amount related to maintenance of the system, which was not due until 2016-17. The correcting accounting entry should have been to reduce the amount of the accrual by £240k, however a prepayment of £240k was made instead. The overall bottom line effect of this on the income and expenditure account was nil, however both debtors and creditors in the Chief Constable's balance sheet are overstated by £240k. This error has been adjusted.

The Government Actuaries Department (GAD) provide separate statements of pension entries for each police pension scheme including funding, which are then consolidated and reconciled to provide the pension disclosures in the financial statements. However, the schedules provided by GAD were unclear and lacked the necessary disclosures relating to the GAD v Milne court case, which, were subsequently omitted from the financial statements. As a result a one off liability and payment of £2.541m within the police pension fund were not recognised, again there is a nil impact on the bottom line.

To correct this misstatement we would need to amend entries in all but one of the primary financial statements of the Chief Constable, Commissioner and Group in addition to the supporting notes. These

changes would also impact on the summary tables and supporting commentary, including the narrative statement. A decision was therefore taken that the work required to amend the error was disproportionate given the non-material value of the transactions and the nil impact on the financial position.

3.3 A small number of amendments have also been made within the disclosure notes and accounting policies in the notes to the Chief Constable's financial statements to provide clarity. Member's copy of the financial statements highlights these changes. Changes highlighted in green reflect changes in wording now required to the financial statements. They include changes to relevant dates of signing off the statements, the inclusion of the auditor's opinion and update of the annual governance statement to reflect the period from its initial publication and the date of the report. Changes highlighted in blue are those agreed with the external auditors.

3.4 The Chief Constable and members of the Committee will also be pleased to note the auditor's recognition that the statements were able to be authorised for issue by the Chief Financial Officer on the 23<sup>rd</sup>, May 2016. This would comfortably meet the tighter timescale for producing the accounts by the end of May which will apply from the 2017-18 accounts and was five days earlier than in 2014-15. The auditors recognised that 'the accounts were prepared to a good standard, with relatively few amendments required and that they supported by excellent quality working papers'

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 2015-16 accounts.

#### **5. 2015-16 Governance Statement**

5.1 The Chief Constable approved his Governance Statement for the period 01 April 2015 to approval of the 2015/16 Statement of Accounts on 23<sup>rd</sup> May 2016, however the Statement made clear that governance matters would continue to be kept under review against emerging issues. In the event no changes have been made to the Chief Constable's Governance Statement following the audit of 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 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 Statement of Accounts 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 Financial Services Officer, for their work in preparing the statements in a tighter timescale and in securing a clean audit opinion for the Chief Constable's single entity accounts. This report also acknowledges the work undertaken by the Grant Thornton external audit team, headed by Fiona Blatcher and Richard McGahon, who have also been able to achieve an earlier sign off of the accounts for 2015-16 in line with the 2015 Accounts and Audit Regulations.

## **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 Constables approves the decision to leave an unadjusted misstatement in relation to the GAD v Milne pension disclosures.
- The Chief Constable signs the audited Statement of Accounts and authorises for publication the Accounts and accompanying Governance Statement.

Roger Marshall  
Chief Finance Officer  
25th July 2016

## Statement of Accounts Narrative 2015-16

### 1. Introduction and Background

1.1 The Chief Constable 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 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 31<sup>st</sup> 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 1<sup>st</sup> April 2013. At the meeting of the Joint Audit & Standards Committee on the 3<sup>rd</sup> May 2016 the PCCCFO presented a report on the effectiveness of the arrangements for audit in 2015-16, which concluded that the internal audit service complied with the PSIAS and the service was effective. The external auditors advised members of the Joint Audit and Standards Committee and the Chief Constable on the 3<sup>rd</sup> May 2016, within their update on progress against the 2015-16 external audit plan 10<sup>th</sup> March 2015 that 'the internal audit service continues to provide an independent and effective service to the Commissioner and the Chief Constable and that internal audit work contributes to an effective control environment at both entities.'

2.2.2 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 and the Commissioner's Chief Finance Officer providing assurance with regard compliance with the Charter and PSIAS. The Chief Finance Officer's 2015-16 review of internal audit 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 2016.' 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.

2.2.3 The opinion of the Head of Internal Audit (HIA): The HIA provides an annual opinion on the internal control environment. The opinion is based on the audit reviews undertaken over the course of the financial year. Audits are risk based and include cyclical reviews of the material financial systems. The findings of the HIA are set out in an annual report. The HIA's opinion for 2015/16 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”.

In relation to the Constabulary, the opinion is based on 13 audits, 2 of which were joint audits also covering the Office of the Police and Crime Commissioner. In addition, the Chief Constable’s Annual Governance Statement was subject to audit review but was not evaluated in terms of assurance level. All audits were graded as providing ‘substantial’ or ‘reasonable’ assurance except for the Constabulary’s arrangements for its Duty Management System where only partial assurance was provided. In response to the findings of the audit of Duties Management a detailed action plan to address the weaknesses highlighted by the audit has been put in place and actioned.

Following the change in internal audit focus to a risk basis the scope of activities covered within the Audit Plan since 2014-15 has expanded, with financial audits now being scheduled on a cyclical basis. In 2015-16 the areas covered by financial audits within the Constabulary included budget management pensions and creditors. All financial audits were graded as providing substantial or reasonable assurance.

Further support is provided by management assurance regarding controls operating in relation all financial systems and processes, with particular focus on those areas which were not covered within the internal audit plan. The process involves the key manager responsible for each financial process providing verification of controls which are in place against CIPFA control frameworks and outlining any changes to systems, processes and personnel which have taken place over the financial year. This is then subject to review by the CFO. The management assurances supported the work of internal audit and provided further assurance that there are robust internal controls in place for all the Constabulary’s financial systems and did not highlight any areas of concern. Management assurances will also inform future decisions regarding the timing and frequency of future financial audits.

Collectively, the findings of financial audits reported to the Audit and Standards Committee and the overall opinion of the Chief Internal Auditor, supported by management assurances will provide assurance to members and the Chief Constable on the integrity of the underlying financial transactions and their representation within the financial ledger that is used to produce the financial statements.

2.2.4 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.

2.2.5 In forming their opinion, the external auditors give consideration to internal controls relevant to the preparation of the financial statements. The external auditors complete walkthrough tests of controls operating in areas where they consider there is a risk of material misstatement to the financial statements. For the 2015-16 statements this has included walkthrough tests of payroll and pensions, operating expenses, PPE and the Police Officer Pension Fund. The auditors reported the findings of this work at the meeting of the 3rd May 2016. Their report confirmed that they did not identify any issues that they wish to bring to the attention of the Chief Constable and that internal controls had been implemented in accordance with their documented understanding. The annual audit findings 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.

2.2.5 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 2015-16 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 May 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. Following scrutiny by the Joint Audit and Standards Committee a minor amendment in relation to the Constabulary's arrangements for Performance, Development and Review (PDR) were made to provide greater clarity. 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 - Background**

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 22<sup>nd</sup> 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. This was followed by the stage 2 transfer, which took on the 1<sup>st</sup> April 2014, the majority of staff formerly employed by the Police and Crime Commissioner transferred to the employment of the Chief Constable, under a transfer scheme in accordance with the transitional provisions within the PRSRA.

3.2 The governance changes highlighted above required detailed consideration of the treatment of transactions in the accounts of the Commissioner and Chief Constable respectively. The key accounting considerations and rationale for decisions with respect how these matters should be presented in the financial statements were explored in detail within the equivalent report to this in previous years and included in summary :-

- The relationship between the Commissioner and Chief Constable - which concluded that as both organisations are separate legal entities they are required to produce single entity financial statements. However, the Commissioner, in setting strategic direction exercises significant influence over the CC with the result that from an accounting perspective the CC is considered as a subsidiary with a requirement to produce Group Accounts.
- Recognition of officers and civilian staff. This ultimately concluded that officers and staff should be recorded in the organisation which exercises direction and control, which resulted in all officers and the majority of police staff being included in the single entity statements of the CC.

Where staff are employed not solely for the benefit of the force (mostly support functions) following the stage 2 transfer which vested direction and control with the CC, these staff are now shown in the single entity statements of the CC, however a charge is made to the single entity statements of the PCC to reflect the use of those resources as a shared support function.

- Capital Assets – whilst the CC is the primary user of assets such as the estate, vehicles and ICT equipment it was concluded that the control of assets and the risks and rewards pertaining to assets rests with the Commissioner and accordingly that assets are disclosed on the balance sheet of the PCC with a charge made to the CC for the use of the assets.
- Debtors, Creditors and Cash – in accordance with statutory provisions and the funding arrangement between the Commissioner and the Chief Constable, all contracts and procurement is undertaken in the name of the PCC and as funding is provided on the basis of cash flow, all cash is shown in the accounts of the PCC. In addition, 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

#### **4. 2015/16 Financial Year Significant Accounting Changes**

##### **4.1 2015-16 Financial Year and Audit Timetable**

The most significant factor influencing the production of the statement of accounts for 2015-16 has been to implement further measures to streamline the accounts closure process which will ensure that the earlier deadline for closure of the accounts of the 31<sup>st</sup> May, which has been achieved in 2014-15 and 2015-16, can continue to be met when it becomes a statutory requirement in the 2017-18 financial statements. This has necessitated an early dialogue with the external auditors to agree some changes to the closedown process. The significant changes to how we produce the financial statements have been:

- Agreement of a number of areas of audit work which could be delivered as part of interim audit work in March / April. This has involved the provision of information on specific transactions and notes at an earlier stage including fixed assets, minimum revenue provision, PFI, exit packages, pension fund and accumulated absences.
- In previous years an accrual has been made for overtime worked in March but paid in April. This necessitated the finance team waiting until the April payroll is completed before service expenditure can be finalised. In 2015-16 it was agreed with the auditors that the accrual would not be undertaken.
- On an annual basis finance and central services staff undertake an exercise to calculate the amount owed to or from employees in respect of balances of leave, flexi time, TOIL and rest days in lieu, which is then reflected in the accounts. For police officers and operational police staff this

is relatively straight forward, as the hours due can be extracted electronically from the Duty Management System. However, for the remaining staff, which do not use the duties system, the calculation involves a time consuming bureaucratic process of manual data collection. Following discussions with the auditors it has been agreed to make an accounting estimate of the balances due to staff not using the duties system based on 10% of those time balances recorded on DMS, which accords with historic data.

- Pension Disclosures – Agreements have been reached with both the County Council and the Government Actuaries Department to secure earlier information on pension liabilities in relation to the Local Government and Police Officer pension schemes respectively, for inclusion in the financial statements. In the case of the Local Government Scheme this process involves provision of earlier data, which carries a risk that significant economic or market events occurring between the data being provided and the year end could impact on the calculation. Checks have therefore been put in place to assess whether the pension liability is likely to be materially impacted by such changes. In the event that this occurs provision exists to re-calculate the pension liability based on revised data, due to market changes in the final quarter of 2015-16 these contingency arrangements were enacted.
- Actuarial review of Insurance Liabilities. – On a biennial basis an actuarial review of insurance liabilities is calculated at the year end for the purposes of calculating the insurance provision and assessing the adequacy of the insurance reserve. The review is normally completed by mid-May, but to bring forward this deadline it has been agreed with the auditors that the review be undertaken at the end of February rather than March, which is not expected to have a material impact on the accounts.

The measures highlighted above were successful in delivering an earlier sign off date for the financial statements by the CFO of the 23<sup>rd</sup> May. Based on available information this performance benchmarks well with other forces, very few of whom appear to have achieved the May sign off deadline as yet. It is envisaged that in future years these measures will facilitate review of the un-audited statements by the Joint Audit and Standards Committee prior to publication in line with best practice.

#### 4.2 Accounts and Audit Regulations 2015

In relation to statutory requirements for disclosures in the accounting statements there have been relatively few changes in 2015-16 compared to the previous year, however a number of changes have arisen from changes to the Accounts and Audit Regulations 2015. The most significant change has been the replacement of the Chief Finance Officer introduction with a narrative statement. The narrative statement is intended to provide the reader with greater understanding of the wider context in which the financial statements are produced and includes a simplified summary of the financial statements, but with expanded information on the objectives, activities, performance and

future financial prospects of the Constabulary. Authorities are encouraged to prepare the narrative report taking into consideration the provisions of the 2015-16 government's financial reporting manual. It is anticipated that by 2017-18 these requirements will be included in the CIPFA/LASAAC Code. CIPFA also considers that the principles in Financial Reporting Council (FRC) Guidance on the strategic report should be followed in order to meet the 2015 regulatory requirement to provide information on financial performance and economy, efficiency and effectiveness. In developing the narrative statement, FRC guidance and the requirements of the performance report of the Financial Reporting Manual have been followed in addition to the LAAP Bulletin 104 'closure of the 2015-16 accounts and related matters', which includes the key elements from the FRC strategic report. The overall objective from this development is to move public sector financial reporting closer to an annual report combining key performance, outcome and operational information alongside financial information.

In addition the 2015 Accounts and Audit Regulations have introduced changes to the arrangements for public inspection of the statements and associated notices. A form of words was agreed with the external auditors for publication on the Commissioner and Chief Constables' respective websites.

#### 4.3 Measurement of Property, Plant and Equipment

Changes requiring non-operational property, plant and equipment to be measured at fair value do not impact on the Chief Constable's accounts.

This concludes the substantive matters considered as part of the production of the statement of accounts.

Name Roger Marshall  
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**Chief Constable**  
Jeremy Graham BA (Hons) MA  
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cumbriapolice



Grant Thornton UK LLP  
Mrs Fiona Blatcher  
Associate Director  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

28 July 2016

Dear Mrs Blatcher

### **The Chief Constable for Cumbria Constabulary**

#### **Financial Statements for the year ended 31 March 2016**

This representation letter is provided in connection with the audit of the financial statements of The Chief Constable for Cumbria Constabulary (Chief Constable) for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Chief Constable for Cumbria Constabulary and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Chief Constable has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Chief Constable 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 We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements and misclassifications and disclosure changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have considered the unadjusted misstatements schedule in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they have a nil effect on the overall financial position of the Constabulary, but impact on all but one of the primary statements and supporting notes. It is therefore considered that work involved in correcting the misstatements is disproportionate given that the non-material effect on the results of the Chief Constable and its financial position at the year end. The financial statements are free of material misstatements, including omissions.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv We believe that the Chief Constable's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Chief Constable's needs. We believe that no further disclosures relating to the Chief Constable's ability to continue as a going concern need to be made in the financial statements.

## **Information Provided**

- xvi We 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.
  
- xvii We have communicated to you all deficiencies in internal control of which management is aware.
  
- xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.
  
- xix We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  
- xx We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Constabulary involving:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
  
- xxi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Chief Constable's financial statements communicated by employees, former employees, regulators or others.
  
- xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
  
  
- xxiii We have disclosed to you the identity of all the Chief Constables's related parties and all the related party relationships and transactions of which we are aware.
  
  
- xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Annual Governance Statement**

- xxv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Chief Constable's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## **Narrative Statement**

- xxvi The disclosures within the Narrative Statement fairly reflect our understanding of the Chief Constable's financial and operating performance over the period covered by the financial statements.

## **Approval**

The approval of this letter of representation was minuted at a joint meeting of the PCC Executive Board and Joint Audit and Standards Committee at its meeting on 28 July 2016.

Yours sincerely

Jerry Graham

Chief Constable

28 July 2016

Roger Marshall

Chief Finance Officer  
Cumbria Constabulary

28 July 2016

## Unadjusted misstatements – Chief Constable, PCC and Group

The table below provides details of the adjustment identified during the audit which has not been made within the final sets of financial statements. Those charged with governance are required to approve management's proposed treatment of the item recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
<p><b>1</b> During the year, the Chief Constable became liable for commutation redress payments totalling £2,541,000 as a result of the Pensions Ombudsman's findings in Milne vs. the Government Actuary's Department (GAD).</p> <p>These payments have been correctly treated in the Police Pension Fund Account, but the increase in the liability and the subsequent benefit payments have been omitted from the actuarial adjustments in the Chief Constable's and the Group main financial statements.</p> <p>The adjustments to correct this would be:</p> <ul style="list-style-type: none"> <li>• <b>Reversal of benefit paid within Cost of Services</b> <span style="float: right;">(£2,541)</span></li> <li>• <b>Decrease in actuarial gain within "Remeasurement of the net defined pension liability" (Other Comprehensive Income)</b> <span style="float: right;">£2,541</span></li> <li>• <b>Increase in pension liability in year as a result of pension Ombudsman's findings</b> <span style="float: right;">(£2,541)</span></li> <li>• <b>Decrease in pension liability in year as a result of benefits paid</b> <span style="float: right;">£2,541</span></li> </ul> <p>These adjustments would have no impact on the year end pension liability, pension reserve, Police Fund balance or Total Comprehensive Income and Expenditure for the 2015-16 year.</p> <p>These adjustments have no impact on the single entity accounts of the PCC, however they do flow through to the consolidated group accounts.</p>			<p>Management consider that the transactions have no overall impact on the overall financial position and are not material to the reader's understanding of the accounts. On this basis the financial statements have not been adjusted as the work required to make the amendments is considered disproportionate to the impact of the misstatement..</p>
<b>Overall impact</b>	<b>£nil</b>	<b>£nil</b>	

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# The Chief Constable for Cumbria Constabulary

Statement of Accounts | 2015/16





The Chief Constable for Cumbria  
Constabulary

Statement of Accounts 2015/16

## 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 2015/16 is available on the Constabulary's website at [www.cumbria.police.uk](http://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](http://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

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# The Chief Constable for Cumbria Constabulary

## Statement of Accounts 2015/16

Contents	Page(s)
CC Chief Finance Officer Narrative Report	3-19
Responsibilities for the Statement of Accounts	20
Auditors Report to the Chief Constable	21-24
Core Financial Statements	
• Movement in Reserves	25
• Comprehensive Income and Expenditure Statement	26
• Balance Sheet	27
• Cash Flow Statement	28
Notes to the Accounts	29-46
Police Officer Pension Fund Account	47-48
Glossary of Terms	49-51
Annex A - Statement of Accounting Policies	52-60
Annex B – Technical Annex	61-62
- Section A - Financial Instruments	63-69
- Section B - Pension Disclosures	70-72
- Section C - Segmental Reporting	
Annex C – Annual Governance Statement	73-113

The CC CFO Introduction. For a quick highly summarised version of this statement of accounts please read the next 17 pages. The full story starts on page 20, please read that too.

Please see page 29 for a full list of the notes to the accounts and cross references to page numbers.

Throughout this publication wherever a word, phrase or acronym is shown in teal coloured text and underlined an explanation is provided in the Glossary of Terms.

## Introduction

I am pleased to introduce the financial Statement of Accounts for the 2015/16 financial year. This financial statement sets out the single entity statements of the Chief Constable for Cumbria Constabulary. The Police and Crime Commissioner for Cumbria (the Commissioner) has also produced group accounts which consolidate the single entity statements of the Chief Constable and the Commissioner. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

The statement provides a breakdown of net spending during the year and shows the overall financial position of the Chief Constable as at 31 March 2016. The reporting format is specifically designed to meet the requirements of the Code of Practice on Local Authority Accounting. A series of notes are provided to assist readers in their understanding of the statement, whilst the presentational format is designed to make for easier reading by those who access the document through the Chief Constable's website: [www.cumbria.police.uk](http://www.cumbria.police.uk). This is the first year that the statement has incorporated a narrative statement, which has replaced the Chief Finance Officer introduction. The narrative statement provides a simplified summary of the financial statements with expanded information on the objectives, activities, performance and future financial prospects of the Constabulary. This aims to give the reader greater understanding of the context in which the financial statements are set. The narrative statement is also available as a stand-alone document on the same website. The Commissioner's consolidated financial

statements can be accessed from the Commissioner's website: [www.cumbria-pcc.gov.uk](http://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 framework further setting out the financial relationships and requirements for the Commissioner and Chief Constable.

This financial framework provides that the Commissioner receives all funding, including government grants, council tax income and other sources of income related to policing and crime reduction. All funding for the Chief Constable must come from the Commissioner. This, in addition to the powers of the Commissioner to set the strategic direction for policing and appoint and dismiss the Chief Constable, creates a subsidiary relationship between the Commissioner and the Chief Constable. As such, the Commissioner must publish a set of group consolidated accounts in addition to single entity accounts. The Chief Constable must publish single entity accounts and provide information to the Commissioner to support the publication of group accounts.

## Organisational Structure

The Chief Constable is supported by a Deputy Chief Constable and Assistant Chief Constable who are responsible for a portfolio of functions within the organisation.

Operational policing is split into two commands which

report to the Assistant Chief Constable. The Territorial Policing command is responsible for neighbourhood policing, response, management of calls for service and criminal justice. Territorial policing is structured in three geographic areas, which are supported by shared specialist policing resources such as roads policing, dogs and firearms.

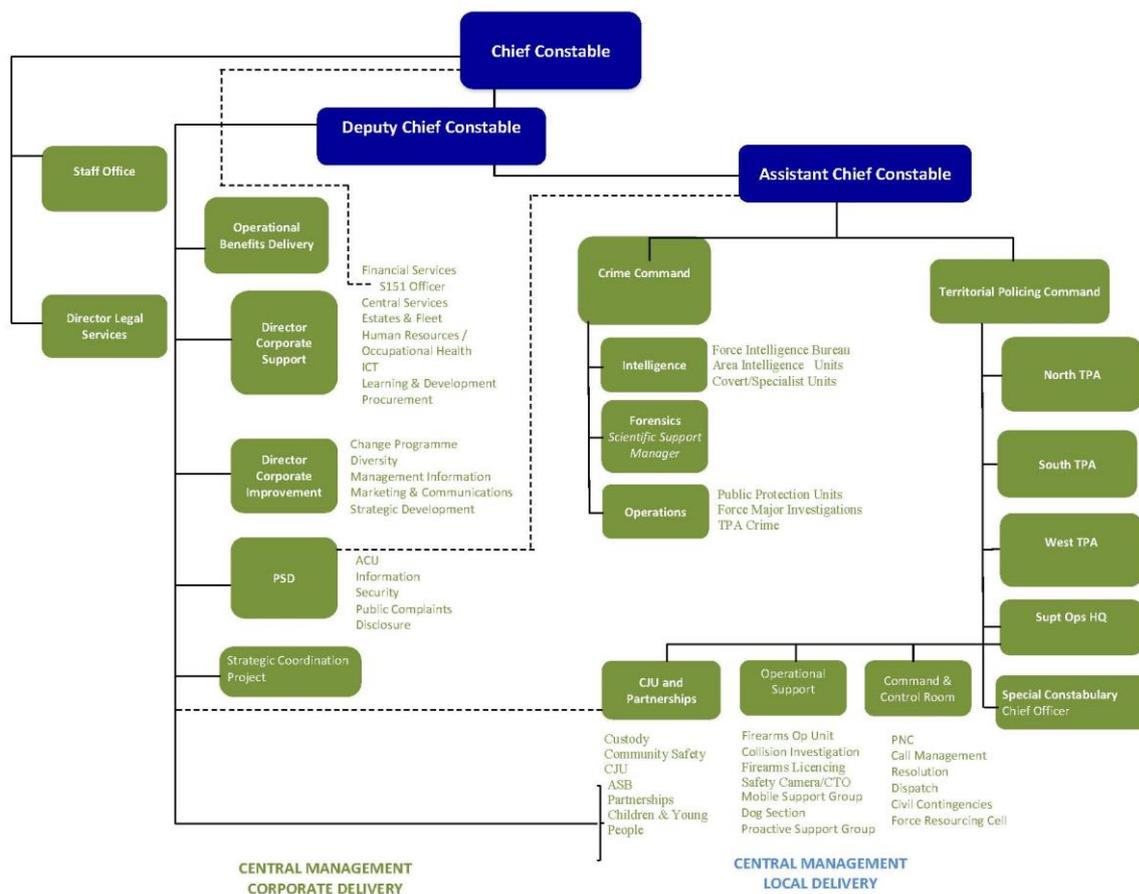
The Crime Command is responsible for investigating crime and includes specialist units for gathering intelligence, major crime investigation, countering serious and organised crime, public protection and scientific support.

There are also two support directorates both of which report to the Deputy Chief Constable. The Corporate Support Directorate includes human resources, finance, estates, fleet, procurement, training, ICT and central services and aims to provide cohesive and integrated support for operational policing.

The Corporate Improvement Directorate includes a number of corporate functions including strategic development, marketing and communications and responsibility for coordinating the Constabulary's Change Programme. The Legal Services and Professional Standards departments are small specialist functions which operate independently from the main directorate structure, reporting to the Chief and Deputy Chief Constable respectively.

# CC Chief Finance Officer Narrative Report

A diagram showing the Constabulary's organisational structure is shown below



## Strategic Objectives

For 2015/16 the Chief Constable determined the strategic direction for the Constabulary, which is 'Keeping Cumbria Safe'. Following consultation with a range of stakeholders, the annual review of the Constabulary's Strategic Assessment (based on operational intelligence), performance results, recommendations from independent inspections and audits and a review of the organisation's strategic risks, the following objectives were identified as key in reducing 'threat, risk and harm' and tackling our communities' concerns:

- Protecting vulnerable people:
  - Dealing with the issues related to vulnerable children- child abuse and child sexual exploitation
  - Reducing the harm caused by domestic abuse, encouraging people to report to the police
- Preventing and detecting violence against the person offences, especially sexual offences
- Tackling serious and organised crime, especially burglary, theft of vehicles and class A drug supply, particularly heroin and cocaine.

The Commissioner approved these key objectives and incorporated them into his Police & Crime Plan to complement his aims.

## Chief Constable's Report

2015/16 has proved to be another challenging year for the constabulary. Operationally, the force played a pivotal role in December 2015, in co-ordinating the response to Storm Desmond which had a devastating impact across the county. Fortunately, the Constabulary is well practiced in responding to the effect of natural disasters and I was very proud of the way officers and staff rose to the challenge.

In terms of crime and disorder, Cumbria remains one of the safest places to live, work and visit in England and Wales. Over the past couple of years there has been a noticeable shift in the profile of offences being recorded by police, with an increase in reporting of domestic abuse, sexual offences and hate crime. This largely accounts for the 5% increase in crime recorded in the county and forms part of a national trend. The Constabulary is consistently examining how it can priorities its assets to ensure that we provide maximum protection for the public.

In line with other public services, since 2009 the Constabulary has been re-shaping itself to deliver its services more efficiently in the context of reduced funding. In this regard the Constabulary has a sophisticated change programme which is seeking to maximise the productivity of our staff to determine the best service to the public that can be afforded. Ensuring that we have the maximum numbers of staff in public facing roles, with the right training and equipment to deliver the service is central to our approach.

Uncertainty over when or if a revised police funding formula will be implemented and the potential detrimental impact that this could have to policing in the county remains a concern.

Each year the Constabulary is inspected and graded as part of a regime known as PEEL (Police Efficiency, Effectiveness and Legitimacy) in 2015/16 the Constabulary were graded good in respect of our approach to efficiency and good in respect of legitimacy, particularly the way we engage with our communities. I was disappointed with a grade of requires improvement in respect of effectiveness. We are working hard to ensure that the issues identified in this Inspection report are addressed quickly and effectively.

In summary, despite the challenges, I look forward to working with the newly appointed PCC and partners across the county to deliver on our core mission to keep Cumbria Safe.

## 2015/16 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 2015/16 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

Of key importance in the grant settlement was the reduction of £3.225m (5.1%) in formula grant funding provided by the Government to the Commissioner in 2015/16 compared to 2014/15. This represents the fifth consecutive year in which central government grants have reduced. The impact on the resources available to the Constabulary, which represents by far the recipient of funding from the Commissioner, to police the county is significant.

During 2015/16 two further threats to future funding emerged. Following the general election in May 2015, the chancellor's budget indicated that unprotected public services including policing should prepare for further funding reductions in central government funding of between 25% and 40% over the next four year comprehensive spending review period. In July the Home Office also began consultation on the introduction of a new police funding formula, in which Cumbria stood to be the biggest loser of all policing areas with a potential annual funding reduction of up to £16m.

In the event the Chancellor's decision to add policing to those services which are protected from funding reductions and the postponement of the introduction of the new funding formula have provided a short term respite from the cuts. However, the continuing financial uncertainty and has been a significant influence on the Constabulary's business planning over the last year.

## Business Activity

In addition to the day to day work of Protecting the People of Cumbria, the Constabulary, through its

change programme and business strategies has sought to identify savings and innovative ways to increase the productivity of its officers and staff. During 2015/16 the following changes have been made to the way we work:

### Responding to the public

- Calls for service are dealt with, where possible, at the first point of contact – all callers speak to a police officer, who use their police skills and knowledge to deploy to need, based on the National Decision Model and using a THRIVE (threat, harm, risk, investigative opportunity, vulnerability & engagement) assessment.
- Developed and started to implement our new Engagement Strategy, including minimum standards to improve effectiveness of our community contact

### Managing Our Resources and Demand

- Managing all of our resources across the county, applying the principles of soft border policing, sending the nearest available and appropriately skilled resource to deal with crimes and incidents
- Introduced the daily operational management meeting to prioritise resource allocation across the county, based on intelligence, performance and welfare
- Introduced the Strategic Resourcing Cell to support operating with fewer officers, making sure we have the right skills in the right place at the right time
- Changed the neighbourhood policing structure with fewer deployment centres to reduce costs,

# CC Chief Finance Officer Narrative Report

but with larger shifts that are aligned to demand better.

- Provided 1500 mobile devices with easy to use apps and electronic pocket note book, that work on and off-line, so that officers can stay out of stations, remain visible to the public and reduce their paperwork
- Restructured problem solving and crime prevention activities across the county
- Successfully worked with partners to reduce risk of violent, sexual, child sexual exploitation, domestic abuse and persistent offenders
- Rationalised the administrative support provided to criminal justice processes and implemented a new custody and case file system, which delivers files digitally to the Courts & Crown Prosecution Service.
- Built a new police station in Barrow
- Begun converging the IT infrastructure to reduce costs
- Started to deliver a skills and knowledge programme to all frontline officers
- Delivered the first cohort of the leadership development programme

## Performance

### Summary Budget and Outturn

The Chief Constable's budget amounting to £108.5m is based upon the funding agreement with the Commissioner.

The table below shows the summary budget for 2015/16 as set on 24 February 2015, the revised budget (taking into account budget changes made

during the year) and the provisional outturn position (subject to audit).

Summary Budget & Provisional Outturn	Base Budget 2015/16 £000s	Revised Budget 2015/16 £000s	Provisional Outturn 2015/16 £000s	(Under)/ Overspend 2015/16 £000s
Police Officers	76,347	76,104	75,800	(304)
PCSOs	2,811	2,627	2,630	3
Police Staff	18,555	18,900	18,988	88
Other Employee	803	1,272	1,954	682
Transport	2,470	2,191	2,140	(51)
Supplies & Services	9,878	10,125	10,243	118
Third party Related	1,616	1,749	1,700	(49)
<b>Total Expenditure</b>	<b>112,480</b>	<b>112,968</b>	<b>113,455</b>	<b>487</b>
Income	(3,967)	(4,391)	(5,197)	(806)
<b>Total Constabulary</b>	<b>108,513</b>	<b>108,577</b>	<b>108,258</b>	<b>(319)</b>

The presentation above is as the figures are reported throughout the year in the management accounts. At the year-end a number of technical accounting adjustments (required by proper accounting practice) are made. For this reason, the outturn in the table above will not reconcile directly to the summary Comprehensive Income and Expenditure Statement.

The budget is predominantly made up of funding for employee costs, amounting in total to £98.52m, which is broken down into Police Officers £76.35m, PCSO's £2.81m, Police Staff £18.55m and other employee costs of £0.803m. The remainder of the budget relates to non-staff costs including, transport costs of £2.47m and supplies/other costs of £9.88m. Income of £3.97m, which is generated through policing activities, is also shown within the Chief Constable's budget.

## In-Year Financial Performance

**Revenue Expenditure :** The Chief Constable's outturn position for 2015/16, compared to the revised budget and after taking into account approved budget carry forwards, is an underspend of £319k.

During the year the Constabulary came in under budget in a number of areas, principally through a combination of

- higher than anticipated turnover of police officers combined with lower than expected recruitment of officers towards the end of the year.
- a decision to delay recruitment of Police Community Support Officers (PCSOs) until the longer term budget position became clearer
- continuing low fuel prices
- lower than expected ICT projects costs partially due to resources being diverted from the mobile working to embedding the new Case and Custody system.

In addition, the Constabulary was able to generate more than £800k of additional income compared to the budget, principally due to insurance receipts and charges for policing the movement of abnormal loads.

These variances were managed pro-actively to contain a number of budget pressures, which emerged during the year, within the overall resources provided by the Commissioner. These pressures included

- a new custody medical contract.
- management of change costs arising from the change programme reviews.

- staffing, equipment and investigative costs to support operational policing.

The Constabulary's figures include expenditure and income incurred in responding to widespread flooding across Cumbria in December 2015. Whilst expenditure was incurred in additional overtime, repairing the estate and vehicles this was offset by a combination of insurance and a rebate on PFI charges due to the unavailability of the PFI station.

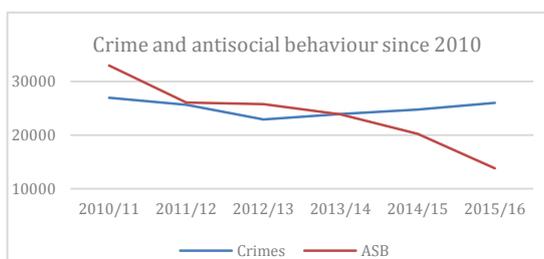
**Capital Expenditure:** Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets, which amounted to £9.0m in 2015/16 are shown in the financial statements of the Commissioner. This included investment in a new Territorial Policing HQ in Barrow, replacement of fleet vehicles and a range of ICT systems to support operational policing. In comparison with the approved programme of capital expenditure there was slippage of £2.63m principally in relation to the purchase of a flood resilient site for a new police station in West Cumbria and supply problems for new mobile devices, which are now planned for early in 2016/17.

## Organisational Performance

The Constabulary operates a comprehensive framework of performance measures to ensure it is meeting its objectives and support the Commissioner in delivering his Police and Crime Plan. The following section provides a summary of performance in

relation to crime, incidents and other outcomes for 2015/16.

- Crime increased by 1,243 offences or 5%,
- 13% (163 offences) of this is due to increased reporting of rape, sex offences and hate crime – all of which we set out to increase
- We have significantly improved compliance with crime recording rules (accepted by the Office of National Statistics as a reason for increased crime).
- 49% of our rape cases are historic.
- 32% of the rise in violent crime is due to four new offences of harassment being brought into statute and these account for 271 crimes (the majority relating to texting)
- Serious violent crime resulting in injury has reduced.
- We perform better than our Most Similar Forces Group average and have the 2<sup>nd</sup> lowest volume of crime nationally
- We have delivered a 32% reduction in Anti-Social Behaviour, which has reduced to 13,803 incidents over the year – one of the best performers in the country



- Domestic abuse repeat victims and perpetrators have both fallen by 1%; first time reports are up 1%

- Cumbria performed significantly better than north west region and national averages for guilty pleas at first hearing and effective trials – and we exceed the targets set for us
- We are 5<sup>th</sup> out of 42 forces for user satisfaction with 88.6% of people using our services being satisfied with the experience.
- We have saved £20 million since 2010, at least £1.8 million of which was saved in 2015
- We have kept Cumbria safe during the unprecedented floods in November and December, providing Command throughout to manage the incidents and, we have received hundreds of *thank yous* from individuals and organisations

The table below summarises the Constabulary's performance indicators.

	Number of Crimes 2015/16	% Change from previous year
<b>All Crime</b>	<b>26,000</b>	<b>5%</b>
Violence against the person	7,380	13%
Homicide	5	-17%
Violence with injury	3,428	12%
Assault - cause serious harm	69	-13%
Assault with injury	3,350	13%
Other violence with Injury	9	-36%
Violence without injury	3,947	13%
Assault without injury	2,665	11%
Assault without injury on a Constable	165	-2%
Harassment	877	21%
Other violence without injury	240	17%
Rape and sexual offences	850	22%
Robbery	73	12%
Theft offences	9,240	4%
Burglary	2,222	14%
Vehicle offences	1,269	11%
Criminal damage and arson offences	5,192	5%
Drugs offences	1,074	-22%
Public order offences	1,621	2%

During 2015/16 all forces were subject to a PEEL (Police Effectiveness Efficiency and Legitimacy) inspection by Her Majesty's Inspector of

# CC Chief Finance Officer Narrative Report

Constabularies (HMIC). Cumbria was rated as good for the efficiency and legitimacy, recognising:

- Success in delivering savings, using resources to meet demand, providing value for money and having an affordable workforce model.
- Providing a fair service and having an ethical culture.

The Constabulary has been rated as 'requiring improvement' for effectiveness. Strengths were recognised in relation to preventing crime, dealing with anti-social behaviour and keeping people safe Areas for improvement where weaknesses were identified include:

- Investigating crime and managing offenders.
- Protecting those who are vulnerable from harm and supporting victims.
- Tackling serious and organised crime.

A comprehensive action plan to address the issues raised by HMIC has been developed.

## People

The Constabulary recognises that its workforce is its greatest asset and that maintaining healthy, engaged and motivated officers and staff is critical to the delivery of effective services.

At the 31<sup>st</sup> March 2016 the Constabulary employed

- 1111 Officers
- 85 PCSOs
- 563 Police staff

(all expressed in full time equivalents)

During 2015/16 numbers of all employee groups were maintained close to the budgeted establishment, although PCSO recruitment was delayed in the latter part of the year due to the financial uncertainty. It is intended that Officer and PCSO numbers will be maintained during 2016/17.

The table below provides a breakdown of the Constabulary workforce (expressed in full time equivalents (FTE)) by gender.

Actual Employees as at 31 March 2016	CC	
	Male FTE	Female FTE
Directors/Chief Officers	8	3
Senior Managers	11	1
All Other Employees	952	784
<b>Total CC Employees</b>	<b>971</b>	<b>788</b>

During 2015/16 the percentage of contracted hours lost due to sickness was 4.39% for officers and 3.96% for staff, both of which exceed the Constabulary's target of 3%. In response, an attendance action plan has been put in place with a wide range of actions to pro-actively manage sickness.

During 2015/16 the Constabulary undertook a cultural survey in conjunction with Durham University, the main conclusions of which were that, despite the high level of uncertainty and change within the organisation:

- Ethical leadership across the force is high, suggesting that individuals believe their immediate supervisors are ethical individuals, manage morality actively and treat them fairly.

- Levels of job satisfaction, public service motivation, empowerment, mission value, and commitment towards the public and organisation are high.
- High level of willingness to communicate ideas on work-related issues.

The Constabulary has also put in place a Wellbeing Strategy, with the aim of promoting and encouraging health and wellbeing at work.

The Constabulary is committed to promoting a workforce which reflects our communities and a culture that respects and celebrates all aspects of diversity. Achieving this aim will also lead to a working environment that is free from discrimination, harassment, bullying and victimisation. The Constabulary's diversity strategy has four objectives:

- 1) Improving engagement with communities which may be victims of hate crime.
- 2) Encouraging the reporting of hate crime.
- 3) Improving accessibility and awareness of pregnancy related workforce support.
- 4) Monitoring returns to work from maternity and disability leave.

Whilst Cumbria generally has a low level of hate crime compared to other forces (tenth lowest of all forces) the latest indications show a 12% increase in hate crime reporting compared to 2014/15, indicating that the public have increased confidence in reporting such crimes.

The Constabulary recognises the importance of developing the skills and knowledge of its workforce.

The Constabulary's has an annual training plan, which aims to ensure that officers, PCSOs and staff are equipped with the requisite skills to perform their role, including mandatory accreditation for specialist responsibilities. During 2015/16 particular training resource was directed to:

- The training of new recruits, in recognition of the high level of recruits joining the force.
- Training in the new 'Policeworks' Case and Custody ICT system.
- Development of a leadership skills framework.

The training plan was delivered through a strategic training collaboration with Lancashire Police, which has delivered benefits through increased capacity to deliver training and cost reductions.

## Sustainability

Sustainability is at the heart of the Constabulary's approach to change and business improvement, with the focus on streamlining processes and emphasising quality by putting in systems to get things right first time. In addition, the Constabulary's Demand Strategy delivers sustainability by looking at how demand can be managed down through preventative and collaborative working with other public agencies.

The cultural survey of all officers and staff, undertaken in partnership with academia, has identified areas that the Constabulary can focus on to build the resilience of its workforce.

In relation to the Commissioner's Estate sustainability is promoted throughout design, with targets set for local labour and supply of materials. Strategies for

natural ventilation are set out and BREEAM energy efficiency targets of a minimum of very good are set out in the contract. Tender evaluation considers whole life costing, running costs for the life of the building and a sustainability / environmental assessment.

Other measures to improve energy efficiency include:-

- Regular monitoring of consumption and pro-active management.
- A programme of introducing low energy, high frequency light fittings across the estate.
- Improved heating controls.
- Replacement of the communications centre air conditioning unit with a low emission system.

The Constabulary runs a diesel fleet. This strategy is continually reviewed as technology advances including the trial of electric vehicles. Staff are encouraged to make use of public transport via travel plans along with promoting car sharing and supporting cycle to work schemes. The use of video conference equipment reduces the need for travel between sites to attend meetings.

Recycling is encouraged both through waste disposal and the choice of consumables where applicable.

## The Financial Statements

This section of the financial summary provides an explanation of the various parts of the financial statement. The aim of the financial statements are to demonstrate to the reader the overall financial position of the Chief Constable at the end of the financial year, together with the cost of the services

provided during the year and the financing of that expenditure.

The key financial statements are:

- The 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 Chief Constable analysed into 'Usable Reserves', which can be applied to fund expenditure and other 'Unusable Reserves', which are principally accounting adjustments. It shows the opening balance on each reserve at the start of the year, movements in year and the closing balance.

The Chief Constable's statement of movements in reserves is shown on page 25 in the full statement of accounts.

The table below sets out a summary movement in reserves statement.

Summary Movement in Reserves	Balance	Movements	Balance
	31/03/2015	2015/16	31/03/2016
	£000s	£000s	£000s
Police Pensions Reserve	(1,142,570)	130,110	(1,012,460)
LGPS Pensions Reserve	(31,381)	5,845	(25,536)
Accumulated Absences Reserve	(2,684)	(164)	(2,848)
<b>Total Reserves</b>	<b>(1,176,635)</b>	<b>135,791</b>	<b>(1,040,844)</b>

The reserves shown above on the Chief Constable's movement in reserves statement are all classed as 'unusable' and provide a mechanism through which

accounting adjustments can be made to present the accounts in accordance with proper accounting practices, whilst allowing the statutory amounts required to be charged for council tax purposes.

The Chief Constable's movements in reserves statement principally records the Chief Constable's negative reserves in relation to the Police and Local Government Pension Schemes, reflecting the requirement to record pension assets and liabilities as they are earned rather than when they become due for payment. During 2015/16, whilst still large, the overall negative balance on both the police and local government pensions schemes have reduced, largely as a result of changes to actuarial assumptions.

All usable reserves are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner, who formally recognises the need to provide contingencies to meet unplanned and planned expenditure in the future. The Commissioner's usable reserves include a general reserve of £3.0m to meet unplanned risks and earmarked reserves of £20.9m for specific revenue and capital purposes. During 2015/16 a total of £1.5m of the Commissioner's earmarked reserves were drawn down to fund revenue and planned capital expenditure.

## 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) developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This provides information on the cost of policing, grouped in such a way to provide the reader with an understanding of the costs of providing different policing services over the financial year and a standardised benchmark to compare forces. The CI&ES is shown on page 26 of the full statement of accounts.

The table below sets out a summary CI&ES statement.

Summary CI&ES	Gross Expenditure 2015/16 £000s	Gross Income 2015/16 £000s	Net Expenditure 2015/16 £000s
Local Policing	45,350	(102)	45,248
Dealing with the public	8,360	(2)	8,358
Criminal justice arrangements	9,382	(24)	9,358
Road policing	5,977	(78)	5,899
Specialist operations	3,988	(17)	3,971
Intelligence	5,612	(4)	5,608
Investigation	13,851	(47)	13,804
Investigative support	3,219	(5)	3,214
National policing	1,629	(72)	1,557
Other costs	2,492	0	2,492
Funding Provided by PCC to CC	0	(104,109)	(104,109)
<b>Cost of Services</b>	<b>99,860</b>	<b>(104,460)</b>	<b>(4,600)</b>
Financing Costs and Investment Income	42,137	(3,532)	38,605
<b>(surplus)/deficit on the provision of services</b>	<b>141,997</b>	<b>(107,992)</b>	<b>34,005</b>
Other comprehensive income and expenditure			(169,796)
<b>Total Comprehensive income and expenditure</b>			<b>(135,791)</b>

The statement shows that the gross cost of providing policing services amounted to almost £100m in 2015/16. Of this figure local policing services

delivered by the Territorial Policing Command, which includes neighbourhood policing, incident response, local investigation and community liaison, make up almost half of the overall cost. The next largest area of expenditure is investigations, which represents the cost of the Crime Command undertaking major investigations, including those into serious and organised crime. This area of expenditure also includes the costs of the Public Protection Unit and managing serious offenders. Other areas of significant expenditure include roads policing, communication with the public and criminal justice arrangements. Further details of the services included within each heading can be found in page 39 of the full statement of accounts.

In addition, the CI&ES also records a number of technical adjustments including ‘financing costs & investment income’ £38.6m and ‘other comprehensive income & expenditure’ net income of £169.8m. These adjustments principally relate to changes to future pensions obligations over the year based on proper accounting practices. The overall effect of the cost of providing services and the pensions adjustment is to produce an accounting surplus of £135.8m for the year, which largely impacts on unusable pensions reserves. The analysis on page 8 of this summary, based on the management accounts, shows a surplus of £319k.

A subjective analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the technical annex to the statement of accounts (Annex B, Section C) on page 70.

## The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2016) of the Chief Constable’s assets and liabilities.

The table below sets out the summary balance sheet for the Chief Constable.

Summary Balance Sheet	Balance	Balance
	31/03/2015	31/03/2016
	£000s	£000s
Current assets	11,740	10,915
Current Liabilities	(12,994)	(13,203)
Long Term Liabilities	(1,175,381)	(1,038,556)
<b>Net Assets</b>	<b>(1,176,635)</b>	<b>(1,040,844)</b>
Unusable Reserves	(1,176,635)	(1,040,844)
<b>Total reserves</b>	<b>(1,176,635)</b>	<b>(1,040,844)</b>

The Chief Constable’s current assets (£10.9m) 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 (£13.2m) 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 (£1,039m) represent the Chief Constable’s share of the pensions deficit together with a small number of provisions to meet future liabilities. The net assets (assets less liabilities) are matched on the balance sheet by the Chief Constable’s reserves. The balance sheet reserves reflect the position at year end and therefore match the final position shown in the movement in reserves statement. The balance sheet is shown on page 27 in the full statement of accounts.

The Chief Constable's 2015/16 balance sheet shows a combined pensions deficit of £1.038m (£1.174m in 2014/15) for the LGPS and the Police Pension Scheme to which its employees and former employees belong. However, statutory arrangements for funding the deficit, through increased contributions over a period designed to balance the pensions account and central government funding mean that the financial position of the Chief Constable remains healthy.

## The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all cash and cash equivalents are held by the Commissioner and as such the Chief Constables cash flow statement simply reflects the surplus or deficit from the provision of services less adjustments for non-cash movements. The statement is shown on page 28 of the full statement of accounts.

The table below provides a summary of the cash flow statement:

Summary Cash Flow Statement	Cash flows 2014/15 £000s	Cash flows 2015/16 £000s
<b>Cash &amp; Cash Equivalents 1 April</b>	<b>0</b>	<b>0</b>
Net (Surplus)/Deficit on the provision of services	36,523	34,005
Adjustments for non-cash movements	(36,523)	(34,005)
<b>Net cash flows from operating activities</b>	<b>0</b>	<b>0</b>
<b>Cash &amp; Cash Equivalents 31 March</b>	<b>0</b>	<b>0</b>

## Police Officer Pension Fund Account

This statement sets out the transactions on the Police Officer pension fund account for the year. The statement records all of the contributions that have been made to the pension fund during the year. These are primarily contributions from employees and the Constabulary as employer. Contribution rates are set nationally by the Home Office. There are also small amounts of other contributions, either from officers joining the scheme in the year and transferring in existing pensions benefits or additional contributions from the employer to cover the cost of ill-health retirements.

The fund also records the benefits paid out of the fund to its members. Any difference between the contributions received into the fund and amount paid out is met by government grant, paid through the Commissioner. This means that the police pension fund always balances to nil.

# CC Chief Finance Officer Narrative Report

A summary of the pension fund is shown below.

Summary Police Pension Fund	Pension Fund A/C 2014/15 £000s	Pension Fund A/C 2015/16 £000s
Contributions - Employer	(9,794)	(8,286)
Contributions - Officers	(5,515)	(5,305)
Contributions - Other	(444)	(454)
Benefits Payable	30,503	33,498
Other Payments	419	46
<b>Net Amount Payable</b>	<b>15,169</b>	<b>19,499</b>
Contribution from Home Office	(15,169)	(18,371)
Additional Funding Payable by the Constabulary (2.9%)	0	(1,128)
Net Amount Payable	0	0

The statement identifies contributions made in 2015/16 totaling £15.17m. The pension benefits that are payable from the fund, together with other payments amounted to £33.54m. The balance between contributions and pensions' benefits paid of £18.37m has been funded by the Home Office. The full pensions fund accounts and note can be found on pages 47-48 of the full statement of accounts

## Supporting Information to the Financial Statements

The key financial statements are supplemented by an explanation of the accounting policies used in preparing the statements (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 abbreviations. The statements are published alongside the Annual Governance Statement for the Chief Constable in accordance with the 2015 Accounts and Audit (England) Regulations.

*The Annual Governance Statement of the Chief Constable can be found in (Annex C) of this Statement of Accounts on pages 73-113 or on the Constabulary website at: [www.cumbria.police.uk](http://www.cumbria.police.uk).*

## The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the strong overall financial position of the Commissioner and Chief Constable as at 31 March 2016. This has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of potential future reductions in government funding. This has enabled reserves to be maintained at a level that provides some financial resilience.

Looking forward, the Government decision to add policing to those public services, which are protected from spending reductions over the next Comprehensive Spending Review process has had a beneficial impact on the Constabulary's future financial prospects. However significant uncertainty regarding future funding allocations remains, particularly in relation to changes to the funding formula. In addition, the financial impact of the implementation of the new Emergency Services

Network and pension costs on force budgets are still to be determined.

The budget approved on 24 February 2016 for the 2016/17 financial year was set in the context of a four year medium term financial forecast, which currently assumes that changes to the funding formula will be introduced from 2017/18 which, based on extrapolations of the funding formula changes proposed in autumn 2015, could mean that between £9.9 and £15.8m of grant funding would be lost per annum. Based on these scenarios further savings of between £11.5m and £19.1m would be required by 2019/20. This is over and above the £20m of savings which have been delivered since 2010. However, if the funding formula changes were not to arise, a much more modest level of future savings would be required.

The Commissioner and Chief Constable continue to work to develop and implement organisational changes that will address the future gap between expenditure and income.

## Risks

The primary focus of the Constabulary's strategic risk register is closely aligned with the financial challenges faced by the Constabulary and the consequential impact of implementing change across the organisation.

The Constabulary's joint highest scoring risk relates to the potential compromises in service delivery and resulting reduction in public confidence a result of delivering savings to balance the budget over the medium term. Related strategic risks recognise the

difficulty and heavy reliance on ICT changes to deliver the required level of savings and productivity improvements and the potential adverse effect of constant change on the performance of the Constabulary.

The other highest scoring risk recognises the threat to performance and additional cost implications of implementing the Emergency Services Network, which is a national system to replace radio communications.

Other strategic risks include the operational resource implications of policing nuclear and associated industrial developments in the west of Cumbria and the undermining of public confidence in the police as a result of media coverage of police integrity issues at a national level.

## Change Programme

In response to the current financial uncertainty presented by the possible introduction of a new police funding formula, the Constabulary has developed a twin track approach to addressing its future savings requirements.

The first strand of the strategy is based around enhancing the scope, timing and savings targets of existing change programme reviews including both operational and support functions.

The second strand of work has commissioned a series of new reviews, which will aim to produce service solutions which are:

- Scalable
- Flexible

and where:

# CC Chief Finance Officer Narrative Report

- Risks and benefits are understood.
- Core policing activities are protected.
- Interdependencies are taken into account.

The ultimate objective will be to produce risk based options to deliver savings which will enable strategic decisions to be made in relation to the allocation of resources once the future funding position is clarified.

Three areas which will be subject to specific review are

- Problem solving and pro-active policing capability.
- The Crime Command
- Business administration systems in support functions.

The Constabulary will also continue to develop its Demand Management Strategy, with the aim of better understanding its demand for services and enable resources to be better aligned to meeting it. Planned specific work includes further development of Command and Control processes in the communications centre, working with partners to better manage demand, for example in mental health, and a demand review within the Crime Command. In addition, the Constabulary will continue its programme of ICT development in support of operational policing, which will increase the

productivity of officers and PCSOs. Collectively these initiatives will support the Constabulary in delivering effective policing services over the longer term with reduced resources.

## Acknowledgements

The financial statements were originally authorised for issue by me as CC Chief Finance Officer (CFO), on 23 May 2016. Following completion of the audit, they were re-authorised by me on 28 July 2016 and were formally approved by the Chief Constable on 28 July 2016.

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.

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.

**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 2016 and its income and expenditure for the year there ended.

\_\_\_\_\_  
Roger Marshall CPFA  
CC Chief Finance Officer

Date : XX July 2016

\_\_\_\_\_  
Jerry Graham BA (Hons) MA  
The Chief Constable for Cumbria Constabulary

Date : 28 July 2016

# 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 Chief Constable's 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 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 this Statement of Account, the Chief Constable's CFO has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- complied with the local authority code.

The Chief Constable's CFO has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Constable's CFO should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2016.



## **INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR CUMBRIA CONSTABULARY**

We have audited the financial statements of the Chief Constable for Cumbria Constabulary (the "Chief Constable") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 Annexes A and B and include the Police Officer Pension Fund Account comprising the Police Officer Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Constable's Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Constable's 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **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

# Independent Auditor's Report

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 Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Chief Constable as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

## Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the CC Chief Finance Officer Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

## Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Chief Constable under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

# Independent Auditor's Report

## **Conclusion on the Chief Constable's arrangements to secure value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Chief Constable and 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.

We are required under Section 20(1)(c) of the Act to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of the Chief Constable's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Chief Constable put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Chief Constable has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Chief Constable has put in

# Independent Auditor's Report

place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

## Certificate

We certify that we have completed the audit of the accounts of the Chief Constable in accordance with the requirements of the Act and the Code.

*Fiona Blatcher*

Fiona Blatcher

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP

4 Hardman Square

Spinningfields

Manchester

M3 3EB

28 July 2016

# 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 2015/16 are provided in the table below:

Movement in Reserves Statement (CC) Figures for 2015/16									
	Note	Balance at 1 April 2015	Surplus/(deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Net increase/(decrease) before transfers to/from earmarked reserves	Increase/(decrease) in 2015/16	Balance at 31 March 2016
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Usable Reserves</b>									
Chief Constable's Constabulary Fund	-	0	(34,005)	0	(34,005)	34,005	0	0	0
<b>Total Usable Reserves</b>		0	(34,005)	0	(34,005)	34,005	0	0	0
<b>Unusable Reserves</b>									
Chief Constable's Police Pension Reserve	11a	(1,142,570)	0	161,090	161,090	(30,980)	130,110	130,110	(1,012,460)
Chief Constable's LGPS Pension Reserve	11a	(31,381)	0	8,706	8,706	(2,861)	5,845	5,845	(25,536)
Chief Constable's Accumulated Absences Account	11b	(2,684)	0	0	0	(164)	(164)	(164)	(2,848)
<b>Total Unusable Reserves</b>		(1,176,635)	0	169,796	169,796	(34,005)	135,791	135,791	(1,040,844)
<b>Total Reserves</b>		(1,176,635)	(34,005)	169,796	135,791	0	135,791	135,791	(1,040,844)

The comparative figures for 2014/15 are provided in the table below:

Movement in Reserves Statement (CC) Figures for 2014/15									
	Note	Balance at 1 April 2014	Surplus/(deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Net increase/(decrease) before transfers to/from earmarked reserves	Increase/(decrease) in 2014/15	Balance at 31 March 2015
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Usable Reserves</b>									
Chief Constable's Constabulary Fund	-	0	(36,523)	0	(36,523)	36,523	0	0	0
<b>Total Usable Reserves</b>		0	(36,523)	0	(36,523)	36,523	0	0	0
<b>Unusable Reserves</b>									
Chief Constable's Police Pension Reserve	11a	(999,400)	0	(105,250)	(105,250)	(37,920)	(143,170)	(143,170)	(1,142,570)
Chief Constable's LGPS Pension Reserve	11a	(16,776)	0	(15,289)	(15,289)	745	(14,605)	(14,605)	(31,381)
Chief Constable's Accumulated Absences Account	11b	(3,336)	0	0	0	652	652	652	(2,684)
<b>Total Unusable Reserves</b>		(1,019,512)	0	(120,539)	(120,539)	(36,523)	(157,123)	(157,123)	(1,176,635)
<b>Total Reserves</b>		(1,019,512)	(36,523)	(120,539)	(157,062)	0	(157,123)	(157,123)	(1,176,635)

# In 2014/15 the above table shows an adjustment to the Local Government Pension Scheme (LGPS) between the PCC and CC accounts of £61k. In 2013/14 an estimation was made of the split of the LGPS between the Commissioner (PCC) and the Constabulary (CC). From 1 April 2014 and stage 2 of the transition process being completed the pension scheme has been split into two separate employers. The adjustment to the opening balance of £61k was required to the single entity statements of the PCC and CC to reconcile to the actuarial calculations provided for 2014/15.

# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Comprehensive Income and Expenditure Statement (CC)		Notes	CC	CC	CC	CC	CC	CC
			2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s	2015/16 Gross Expenditure £000s	2015/16 Gross Income £000s	2015/16 Net Expenditure £000s
	Local Policing	12	48,051	(101)	47,950	45,350	(102)	45,248
	Dealing with the public	12	7,010	(1)	7,009	8,360	(2)	8,358
	Criminal justice arrangements	12	9,058	(21)	9,037	9,382	(24)	9,358
	Road policing	12	7,224	(53)	7,171	5,977	(78)	5,899
	Specialist operations	12	3,320	(33)	3,287	3,988	(17)	3,971
	Intelligence	12	5,440	(5)	5,435	5,612	(4)	5,608
	Investigations	12	13,087	(16)	13,071	13,851	(47)	13,804
	Investigative support	12	3,254	(4)	3,250	3,219	(5)	3,214
	National policing	12	1,807	(72)	1,735	1,629	(72)	1,557
	Corporate and democratic core	12	312	0	312	263	0	263
	Non distributed costs	12	47	0	47	588	0	588
	Termination Payments	17	675	0	675	1,641	0	1,641
	Funding Provided by PCC to CC		0	(106,912)	(106,912)		(104,109)	(104,109)
	<b>Cost Of Services</b>		<b>99,285</b>	<b>(107,218)</b>	<b>(7,933)</b>	<b>99,860</b>	<b>(104,460)</b>	<b>(4,600)</b>
	<b>Financing and Investment Income and Expenditure</b>							
	Net Interest on the net defined benefit liability	Annex B	48,549	(4,093)	44,456	42,137	(3,532)	38,605
			<b>48,549</b>	<b>(4,093)</b>	<b>44,456</b>	<b>42,137</b>	<b>(3,532)</b>	<b>38,605</b>
	<b>(Surplus) or Deficit on Provision of Services</b>		<b>147,834</b>	<b>(111,311)</b>	<b>36,523</b>	<b>141,997</b>	<b>(107,992)</b>	<b>34,005</b>
	Remeasurement of the net defined pension benefit liability/asset	Annex B			120,539			(169,796)
	<b>Other Comprehensive Income and Expenditure</b>				<b>120,539</b>			<b>(169,796)</b>
	<b>Total Comprehensive Income and Expenditure</b>				<b>157,062</b>			<b>(135,791)</b>

# 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.

Balance Sheet	Notes	CC	CC
		31 March 2015	31 March 2016
		£000s	£000s
Inventories		295	268
Short Term Debtors (amounts owed to CC by PCC re CC share of external Debtors)	7	4,249	4,358
Short Term Debtors (amounts owed to CC by employees re accumulated absences)	7	215	75
Short Term Debtors (funding balance owed to CC by PCC)	7	6,981	6,214
<b>Current Assets</b>		<b>11,740</b>	<b>10,915</b>
Short Term Creditors (amounts owed by CC to PCC re share of external creditors)	8	(5,551)	(5,654)
Short Term Creditors (amounts owed by CC to employees re accumulated absences)	8	(2,900)	(2,923)
Short Term Creditors (funding balance due from CC to PCC)	8	(4,543)	(4,626)
<b>Current Liabilities</b>		<b>(12,994)</b>	<b>(13,203)</b>
Provisions	9	(1,430)	(560)
Other Long Term Liabilities			
Pensions liability - Police	Annex B	(1,142,570)	(1,012,460)
Pensions liability - LGPS	Annex B	(31,381)	(25,536)
<b>Long Term Liabilities</b>		<b>(1,175,381)</b>	<b>(1,038,556)</b>
<b>Net Assets</b>		<b>(1,176,635)</b>	<b>(1,040,844)</b>
<b>Unusable Reserves</b>			
Pensions Reserve - Police	11a	(1,142,570)	(1,012,460)
Pensions Reserve - LGPS	11a	(31,381)	(25,536)
Accumulated Absences Account	11b	(2,684)	(2,848)
		<b>(1,176,635)</b>	<b>(1,040,844)</b>
<b>Total Reserves</b>		<b>(1,176,635)</b>	<b>(1,040,844)</b>

# 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.

<b>Cash Flow Statement (CC)</b>		<b>CC 2014/15 £000s</b>	<b>CC 2015/16 £000s</b>
	Net (Surplus) or Deficit on the provision of services	36,523	34,005
	Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1 (36,523)	(34,005)
	<b>Net cash (inflow)/ outflow from Operating Activities</b>	<b>0</b>	<b>0</b>
	<b>CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:</b>		
	Pension Liability (Contributions to/from Pensions Reserve)	(37,175)	(33,841)
	Debtors - Adjustment re CC Share of Debtors	1,480	(32)
	Debtors - Adjustment re Balance of Funding due from PCC to CC	1,424	(767)
	Creditors - Adjustment re CC Share of Creditors	(241)	(126)
	Creditors - Adjustment re Balance of Funding due from CC to PCC	(1,339)	(83)
	Stock - Change in Balance Sheet	(32)	(26)
	Provisions - Change in Balance Sheet	(640)	870
	<b>Adjustment to net surplus or deficit on the provision of services for non-cash movements</b>	<b>(36,523)</b>	<b>(34,005)</b>

# Notes to the Accounts

## Index of Notes to the Accounts

Note	Title	Page
1	Critical Judgements in Applying Accounting Policies .....	30
2	Events after the Balance Sheet Date .....	30
3	Assumptions made about the future and other Sources of Estimation Uncertainty.....	31
4	Adjustments between Accounting Basis and Funding Basis under Regulations .....	32
5	Audit Fees .....	33
6	Financial Instruments .....	33
7	Short-term Debtors .....	34
8	Short-term Creditors .....	34
9	Provisions.....	35
10	Pensions .....	36
11	Unusable Reserves.....	37
12	Comprehensive Income and Expenditure Statement .....	39
13	Members Allowances and Expenses .....	40
14	Disclosure of Remuneration for Senior Employees.....	40
15	Employee Remuneration.....	43
16	Exit Packages .....	44
17	Termination Payments .....	44
18	Related Party Transactions.....	45
19	Contingent Liabilities .....	45
20	Accounting Standards that have been Issued but have not yet been Adopted.....	46

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 2015/16 will be highlighted, whilst the comparatives for 2014/15 (where provided) will not.

The notes sometimes include terms that may require further explanation. Where possible, explanations are provided within the note, otherwise explanations are provided within the “glossary of terms” in pages 49-51. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

# Notes to the Accounts

## 1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in pages 52 to 60 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 **28 July** 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



*The new Territorial Police Area headquarters for South Cumbria which opened in Barrow in September 2015*

# Notes to the Accounts

### 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 2016 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<a href="#">Provisions</a>	The Chief Constable has made a provision of £484k for the settlement of insurance liabilities for a number of eventualities which are not covered by external insurers. The provision is based on an actuarial estimate but it is not yet certain that all valid claims have yet been received by the Chief Constable.	An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £48k to the provision needed.
	The Chief Constable has made a provision of £76k in relation to the potential cost of legal claims against the Constabulary which are currently ongoing.	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 £8k to the provision needed.
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 the technical annex to the accounts (Annex B) in section B Pension Disclosures (pages 63-69).

# 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 2015/16 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	CC Constabulary Fund Balance £000s	CC Police Pension Reserve £000s	CC LGPS Pension Reserve £000s	CC Accumulated Absences Account £000s
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	<b>Annex B</b>	33,841	(30,980)	(2,861)	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	<b>11b</b>	164	0	0	(164)
<b>Total Adjustments</b>		<b>34,005</b>	<b>(30,980)</b>	<b>(2,861)</b>	<b>(164)</b>

The comparative figures for 2014/15 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	CC Constabulary Fund Balance £000s	CC Police Pension Reserve £000s	CC LGPS Pension Reserve £000s	CC Accumulated Absences Account £000s
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	<b>Annex B</b>	37,175	(37,920)	745	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	<b>11b</b>	(652)	0	0	652
<b>Total Adjustments</b>		<b>36,523</b>	<b>(37,920)</b>	<b>745</b>	<b>652</b>

# Notes to the Accounts

## 5 Audit Fees

In 2015/16 the [Chief Constable](#) incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	CC 2014/15 £000s	CC 2015/16 £000s
<b>Amounts Relating to The Chief Constable</b>		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	20	15
Rebate from Audit Commission in year.	(2)	0
<b>Other Services</b>		
Fees payable in respect of <i>other services</i> provided by Grant Thornton during the year.	7	3
<b>Total External Audit Fees for Year</b>	<b>25</b>	<b>18</b>

The table above includes fees paid in relation to 'other services'. These fees payable in 2015/16 related to an annual contract (starting in 2014/15) for the provision of specialist VAT and Tax advice. The fee for 2014/15 also included a one off piece of consultancy work undertaken on payroll dispensations. These fees relate to both the Commissioner and the Constabulary.

## 6 Financial Instruments

*Financial Instruments* are contracts that give rise to a financial asset in one entity and a financial liability in another. The term covers both **financial assets** such as loans and receivables and **financial liabilities** such as creditors and borrowings.

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the Chief Constable are included in section A of a separate technical appendix at Annex B on pages 61 to 62.

The disclosures include:

- The Categories of Financial Instrument
- Gains and Losses on Financial Instruments
- Fair value of Assets and Liabilities Carried at Amortised Cost
- Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

# Notes to the Accounts

## 7 Short-term Debtors

A breakdown of the amounts owing to the [Chief Constable](#) as at 31 March 2016 with comparative information for the previous year is set out in the table below:

Short-term Debtors	CC As at 31 March	
	2015 £000s	2016 £000s
<b>Balance Owed from PCC re CC Share of External Debtors</b>		
- Police pensions prepayment	2,104	2,173
- Prepayments/Payments in Advance	2,145	2,185
	<b>4,249</b>	<b>4,358</b>
Balance Owed from Employees (re accumulated Absences)	215	75
Balance Owed from PCC re Balance of Funding	6,981	6,214
<b>Total Debtors</b>	<b>11,445</b>	<b>10,647</b>

## 8 Short-term Creditors

An analysis of the amounts owed by the [Chief Constable](#) as at 31 March 2016 with comparative information for the previous year is set out in the table below:

Short-term Creditors	CC As at 31 March	
	2015 £000s	2016 £000s
<b>Balance Owed to PCC re CC Share of External Creditors</b>		
- Central Government Bodies	(1,809)	(1,725)
- Other Police/Local Authorities	(274)	(793)
- NHS Bodies	(19)	(49)
Other Entities and Individuals		
- Goods & Services	(3,449)	(3,087)
	<b>(5,551)</b>	<b>(5,654)</b>
Balance owed to Employees (re accumulated absences)	(2,900)	(2,923)
Balance owed to PCC re balance of Funding	(4,543)	(4,626)
<b>Total Creditors</b>	<b>(12,994)</b>	<b>(13,203)</b>

# Notes to the Accounts

## 9 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 2016 is provided below:

**Insurance liabilities** – this provision has been established to meet a number of eventualities which are not covered by external insurers. In particular, liability risks up to £100k per event (this figure was £25k until 1 November 2014 when the policy excess was increased from £25k to £100k) are retained by the Chief Constable and met internally.

**Termination Payments (2014/15)** - this employee related provision relates to a liability that exists in respect of termination benefits as a result of decisions made during 2014/15 for which the actual payments will fall into 2015/16.

**Legal Claims** – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.

The table below shows the movements during the year on each of the provisions and the position as at 31 March 2016.

Provisions	Balance as at 01/04/15	Additional Provisions Made 2015/16	Amounts Used in 2015/16	Unused Amounts Reversed in 2015/16	Balance as at 31/03/16
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(495)	(132)	143	0	(484)
Termination Payments	(555)	0	555	0	0
Legal Claims	(380)	(25)	90	239	(76)
<b>Total Provisions</b>	<b>(1,430)</b>	<b>(157)</b>	<b>788</b>	<b>239</b>	<b>(560)</b>

The comparative information for year ended 31 March 2015 is as follows:

Provisions	Balance as at 01/04/14	Additional Provisions Made 2014/15	Amounts Used in 2014/15	Unused Amounts Reversed in 2014/15	Balance as at 31/03/15
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(495)	(164)	164	0	(495)
Termination Payments	(45)	(555)	40	5	(555)
Legal Claims	(250)	(130)	0	0	(380)
<b>Total Provisions</b>	<b>(790)</b>	<b>(849)</b>	<b>204</b>	<b>5</b>	<b>(1,430)</b>

## 10 Pensions

The Chief Constable participates in the Local Government Pension Scheme (LGPS) for Police Staff and three pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the Chief Constable are included in section B of a separate technical appendix at Annex B on pages 63 to 69.

The disclosures include:

- Details of the pension schemes
- A summary of accounting entries in respect of pensions
- Pensions assets and liabilities recognised in the balance sheet
- Reconciliation of the Fair Value of scheme assets
- Basis for estimating assets and liabilities
- A summary of principal assumptions used by scheme actuary
- Sensitivity analysis in relation to pensions
- Impact on the Chief Constable's Cash Flows



# Notes to the Accounts

## 11 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](#).

### 11.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.

Pensions Reserve	CC		CC	
	LGPS Pensions		Police Pensions	
	2014/15	2015/16	2014/15	2015/16
	£000s	£000s	£000s	£000s
Balance at Start of Year	(16,776)	(31,381)	(999,400)	(1,142,570)
Adjustment to Opening Balance	(61)	0	0	0
Adjusted Balance at Start of Year	(16,837)	(31,381)	(999,400)	(1,142,570)
Remeasurement of the net defined pension benefit liability/asset	(15,289)	8,706	(105,250)	161,090
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,879)	(5,903)	(63,910)	(57,080)
Employer's pension contributions and direct payments to pensioners payable in the year.	4,624	3,042	25,990	26,100
<b>Balance at End of Year</b>	<b>(31,381)</b>	<b>(25,536)</b>	<b>(1,142,570)</b>	<b>(1,012,460)</b>

In 2014/15 the above table shows an adjustment to the Local Government Pension Scheme (LGPS) opening balance between the PCC and CC accounts of £61k. In 2013/14 an estimation was made of the split of the LGPS between the Commissioner (PCC) and the Constabulary (CC). From 1 April 2014 and stage 2 of the transition process being completed the pension scheme has been split into two separate employers. The adjustment to the opening balance of £61k was required to the single entity statements of the PCC and CC to reconcile to the actuarial calculations provided for 2014/15.

# Notes to the Accounts

## 11.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.

Accumulated Absences Account	CC	CC
	2014/15 £000s	2015/16 £000s
<b>Balance at Start of Year</b>	(3,336)	<b>(2,684)</b>
Settlement or cancellation of accrual made at the end of the preceeding year	3,336	2,684
Amounts accrued at the end of the current year	(2,684)	(2,848)
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	652	<b>(164)</b>
<b>Balance at End of Year</b>	<b>(2,684)</b>	<b>(2,848)</b>



## 12 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.

### 12.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:-

**Police Services**, this includes the following activities:

- Local Policing – neighbourhood policing, incident management, community liaison, local command team and support overheads.
- Dealing with the Public – local call centre/front desk, central communications unit, contact management and dealing with the public command team and support overheads.
- Criminal Justice Arrangements – custody, criminal justice arrangements, Police National Computer, civil disclosure/criminal records bureau, coroner assistance, fixed penalty scheme/central ticket office, property store, criminal justice arrangements command team and support overheads.
- Roads Policing – traffic units, vehicle recovery, casualty reduction partnership, roads policing command team and support overheads.
- Specialist Operations – central operations command team and support overheads, underwater search/marine support, dogs sections, level 1 advanced public order, firearms unit, civil contingencies, air operations and airports and ports policing unit.
- Intelligence – central intelligence command team and support overheads, intelligence analysis/threat assessments, intelligence gathering.
- Investigation – crime support command team and support overheads, major investigations unit, economic crime, serious and organised crime unit, public protection, local investigation/prisoner processing, specialist investigation and cyber crime.
- Investigative Support – scenes of crime officers, external forensic costs, fingerprint/internal forensic services, photographic image recovery, other forensic services, investigative support command team and support overheads.
- National Policing – secondments (out of force), counter terrorism/special branch, [ACPO](#) projects/initiatives, hosting national services, other national policing requirements.

**Corporate and Democratic Core Costs:**

- Democratic Representation and Management – all member allowances and expenses; officer time spent on appropriate advice activities; subscriptions to local authority associations etc.
- Corporate Management – costs of head of paid service; maintenance of statutory registers; statutory returns and statistics; external audit and inspections; treasury management; bank charges.

**Non Distributed Costs:**

- Pension costs – past service costs, curtailments and settlements.
- [Depreciation](#) costs and [impairment](#) losses in relation to assets under construction and surplus assets held for disposal.

# Notes to the Accounts

## 13 Members Allowances and Expenses

The Code of Practice on Local Authority Accounting requires the disclosure of the total amount of members allowances paid in the year. This is set out in the table below together with a comparative figure for the previous year.

Members Allowances	CC	CC
	2014/15	2015/16
	£000s	£000s
Basic Allowance	9	14
Travel and Subsistence	8	6
	<b>17</b>	<b>20</b>

The above table includes for 2015/16 the 4 appointed members of the Joint Audit and Standards Committee, the 4 appointed members of the Ethics and Integrity Panel together with travel allowances payable to independent custody visitors. The figures for 2014/15 only include a single meeting of the Ethics and Integrity Panel which was established in March 2015. The table above includes the total costs of members and these apply jointly between the Commissioner and Constabulary.

A full disclosure of allowances and expenses paid to individual members can be found on the Police and Crime Commissioners website at: <http://www.cumbria-pcc.gov.uk/governance-transparency/allowances.aspx>

## 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 tables include members of the Extended Chief Officer Group which is the formal decision making body for the Constabulary.



# Notes to the Accounts

The table below gives the information for 2015/16 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Termination Pay & Compensati on for Loss of Office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
<b>Shown in Single Entity Statements of Chief Constable</b>									
Chief Constable		138	7	0	0	3	148	15	163
Deputy Chief Constable	1	118	7	0	0	2	127	24	151
Assistant Chief Constable	2	88	6	0	0	2	96	18	114
Temporary Assistant Chief Constable (A)	3	85	3	0	2	0	90	18	108
Temporary Assistant Chief Constable (B)	4	84	1	0	1	3	89	17	106
Chief Superintendent		83	1	0	1	3	88	17	105
Temp. Chief Superintendent (A)	5	77	5	0	1	3	86	16	102
Temp. Chief Superintendent (B)	6	70	2	(1)	1	3	75	15	90
Director of Legal Services		73	1	0	1	0	75	9	84
Director of Corporate Support		81	0	(1)	0	0	80	10	90
Director of Corporate Improvement		79	0	0	0	0	79	10	89
CC Chief Finance Officer		66	0	0	0	0	66	8	74
Chief Inspector PSD (A)	7	57	2	0	1	4	64	12	76
Chief Inspector PSD (B)	8	54	2	0	1	2	59	13	72
<b>Total Chief Constable</b>		<b>1,153</b>	<b>37</b>	<b>(2)</b>	<b>8</b>	<b>25</b>	<b>1,222</b>	<b>202</b>	<b>1,424</b>

## Notes:

- The DCC was promoted to temporary CC for the period 1/12/15 to 29/2/16.
- The ACC was appointed to the role of ACC on 1/6/15 and was temporarily promoted to DCC for the period 1/12/15 to 29/2/16.
- Temporary ACC (A) was promoted to ACC for the period 1/8/14 to 31/5/15, reverted to Chief Superintendent (TP) 1/6/15 to 20/3/16 and then Chief Superintendent (PSD) 21/3/16.
- Temporary ACC (B) was Temporarily promoted to ACC for the period 1/12/15 to 29/2/16, then reverted to Chief Superintendent Operational Benefits Delivery.
- Temporary Chief Superintendent (A) was promoted Temporary Chief Superintendent Crime Command w.e.f. 14/12/15.
- Temporary Chief Superintendent (B) was appointed to Temporary Chief Superintendent for the period 1/2/15 to 31/5/15.
- Chief Inspector PSD (A) ceased the role of Head of Professional Standards Department (PSD) on the 17/5/15 and was replaced by Chief Inspector PSD (B).
- Chief Inspector PSD (B) became Head of Professional Standards Department w.e.f. 18/5/15.

# Notes to the Accounts

The table below gives the comparative information for 2014/15 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Termination Pay & Compensation for Loss of Office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
<b>Shown in Single Entity Statements of Chief Constable</b>									
Chief Constable	1	128	7	0	0	3	138	31	169
Deputy Chief Constable	2	110	8	0	0	1	119	27	146
Temporary Assistant Chief Constable	3	93	5	0	0	0	98	20	118
Chief Superintendent (A)	4	78	1	0	1	3	83	19	102
Chief Superintendent (B)	5	10	0	10	0	3	23	2	25
Temp. Chief Superintendent (C)	6	77	2	0	1	3	83	19	102
Temp. Chief Superintendent (D)	7	66	2	0	1	3	72	16	88
Superintendent	8	75	2	0	1	3	81	18	99
Chief Inspector	9	56	2	0	1	4	63	13	76
CC Chief Finance Officer		71	0	0	0	0	71	9	80
Director of Corporate Support		79	0	0	0	0	79	10	89
Director of Corporate Improvement		71	1	0	0	0	72	9	81
Director of Legal Services		71	1	0	2	0	74	9	83
<b>Total Chief Constable</b>		<b>985</b>	<b>31</b>	<b>10</b>	<b>7</b>	<b>23</b>	<b>1,056</b>	<b>202</b>	<b>1,258</b>

## Notes:

- 1 The Chief Constable was appointed on 1/8/14 (prior to this he was Deputy Chief Constable)
- 2 The Deputy Chief Constable was promoted on 1/8/14 (prior to this she was Assistant Chief Constable).
- 3 Temporary Assistant Chief Constable was promoted to ACC on 1/8/14
- 4 Chief Superintendent (A) became Chief Superintendent TPA on 1/8/14 & was promoted to Detective Chief Superintendent Crime Command on 1/2/15
- 5 Chief Superintendent (B) retired on the 12/5/14
- 6 Temporary Chief Superintendent (C) covered position of Temporary Chief Superintendent Crime from 12/5/14 to 31/1/15.
- 7 Temporary Chief Superintendent (D) was promoted on 1/2/15 to Temporary Chief Superintendent (TPA)
- 8 The Superintendent Professional Standards post was removed from 12/5/14
- 9 The Chief Inspector become Head of Professional Standards on the 12/05/14 following the removal of the Superintendent post.

# Notes to the Accounts

## 15 Employee Remuneration

The Code of Practice on Local Authority Accounting requires the disclosure of the number of employees whose remuneration, excluding pension's contributions, exceeded £50,000 and senior police officers (defined as those holding a rank above that of superintendent). This is set out in the table below in bands of £5,000:

Remuneration Band	2014/15			2015/16		
	CC Police Staff	CC Snr Police Officers	CC Total	CC Police Staff	CC Snr Police Officers	CC Total
£50,000 to £54,999	2	0	2	2	0	2
£55,000 to £59,999	3	0	3	2	0	2
£60,000 to £64,999	0	0	0	1	0	1
£65,000 to £69,999	0	1	1	1	0	1
£70,000 to £74,999	3	0	3	1	0	1
£75,000 to £79,999	1	1	2	1	0	1
£80,000 to £84,999	0	1	1	1	1	2
£85,000 to £89,999	0	0	0	0	3	3
£90,000 to £94,999	0	1	1	0	1	1
£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	0	0
£110,000 to £114,999	0	1	1	0	0	0
£115,000 to £119,999	0	0	0	0	0	0
£120,000 to £124,999	0	0	0	0	1	1
£125,000 to £129,999	0	0	0	0	0	0
£130,000 to £134,999	0	1	1	0	0	0
£140,000 to £144,999	0	0	0	0	1	1
<b>Total</b>	<b>9</b>	<b>6</b>	<b>15</b>	<b>9</b>	<b>7</b>	<b>16</b>

In 2015/16 the remuneration for 65 (74 in 2014/15) Police Officers superintendent rank and below (who are not required to be disclosed in the above note under regulations) exceeded £50,000.

The table above includes those employees and senior police officers that are also required to be disclosed on a more detailed individual basis. Please see note 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	
	2014/15 Headcount	2015/16 Headcount	2014/15 Headcount	2015/16 Headcount	2014/15 Headcount	2015/16 Headcount	2014/15 £000's	2015/16 £000's
£0-£20,000	2	8	0	32	2	40	23	447
£20,001 - £40,000	2	1	1	21	3	22	102	607
£40,001 - £60,000	0	0	0	9	0	9	0	440
£60,001 - £80,000	0	1	0	4	0	5	0	331
£80,001 - £100,000	0	0	0	2	0	2	0	168
£100,001 - £150,000	0	1	0	1	0	2	0	203
<b>Total</b>	<b>4</b>	<b>11</b>	<b>1</b>	<b>69</b>	<b>5</b>	<b>80</b>	<b>125</b>	<b>2,196</b>

## 17 Termination Payments

During 2015/16 the contracts of a number of employees were terminated incurring termination payments amounting to £1,641k (£675k in 2014/15). As this amount is significant in terms of the 2015/16 accounts the amount has been shown as a separate item on the face of the Comprehensive Income and Expenditure Statement (page 26). This amount is made up exit packages paid and accrued in 2015/16.

In 2014/15 a further amount of £555k was set aside in a provision to pay termination costs as a result of decisions made in principle in 2014/15 but where there was some uncertainty over the individual staff or timing of the termination but for which a reasonable estimate could be made of amount of the probable obligation. During 2015/16 payments have been made to individuals up to the full amount of this provision. At the end of 2015/16 there has been no such decisions made to require a similar provision to be made in the 2015/16 accounts. For 2015/16 the total exit packages paid of £2,196k is divided between those arising in the year and charged to the revenue budget £1,641k plus those charged directly against the provision established in 2014/15 £555k.

The exit packages paid in 2015/16 amount to £2,196k (£125k in 2014/15). The exit packages can be further split into compensation for loss of employment £1,242k (£125k in 2014/15) and enhanced pension benefits £954k (£0k in 2014/15). The redundancies are as a result of the Constabulary's change programme. The Exit Packages note above (note 16) provides details of the number and total cost of exit packages per band and include those exit packages paid in 2015/16 and those agreed for individuals in 2015/16 but paid in 2016/17 for which an accrual was made in the 2015/16 accounts.

## 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 2015/16 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 the pension related disclosure notes included within the Technical Annex (Annex B) pages 63-69.

The Chief Constable has included within the Comprehensive Income and Expenditure Statement his respective share of costs in relation to collaborative arrangements with other forces/councils. In particular these include:

- The PCC for Cheshire – North West Underwater Search Unit, Northwest Regional Firearms Policy, Northwest Strategic Automatic Number Plate Recognition (ANPR), Regional Emergency Services Network (ESN) and the Regional Specialist Capability Programme.
- The PCC for Merseyside – Regional Crime Unit, Regional Intelligence Unit, Prison Intelligence Unit, Technical Support Unit, Protected Persons Unit, Government Agency Intelligence Network (GAIN), Confiscation Unit, Regional Assets Recovery Team, Operational Security (OPSEY), Cyber Crime, Regional Fraud Team.
- The PCC for Lancashire – Learning & Development Collaboration.
- Cumbria County Council – Shared Internal Audit Service.

## 19 Contingent Liabilities

### *Injury pensions*

A case regarding the payment of injury pensions to a retired police officer has highlighted a conflict between police (injury benefits) regulations and social security legislation. The implication of the judgement is that police injury benefits should no longer be reduced by entitlement to social security benefits (employment support allowance). A small number of Cumbria Constabulary Officers are affected by the judgement, however the benefit entitlement must be determined on an individual case by case basis and information is awaited from the Department for Work and Pensions and HMRC to enable the calculation to be undertaken. This matter is therefore treated as a contingent liability in the 2015/16 statement of accounts.

## *Appeal Court Judgement*

In February 2015 the Court of Appeal made a judgement in respect of police officers who took telephone calls outside their normal hours of duty. The court ruled that police officers should be awarded overtime in respect of these calls. There are a number of officers within the Constabulary that could potentially make a claim for overtime as a result of this ruling. At this stage it is not possible to estimate the financial impact of such claims and the matter has been treated as a contingent liability in the 2015/16 statement of accounts.

## **20 Accounting Standards that have been Issued but have not yet been Adopted**

For 2015/16 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 19 Employment Benefits (Defined Benefit Plans: Employee Contribution);
- Annual Improvement to IFRSs 2010-2012 Cycle:
  - IFRS 3 Accounting for contingent consideration in a business combination;
  - IFRS 8 Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets;
  - IFRS 13 Short-term receivables and payables;
  - IAS 16 revaluation method – proportionate restatement of accumulated depreciation;
  - IAS24 key management personnel
  - IAS 38 revaluation method – proportionate restatement of accumulated amortisation
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations);
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation) ;
- Annual Improvement to IFRSs 2012-2014 Cycle;
  - IFRS 5 Changes in methods of disposal;
  - IFRS 7 servicing contracts;
  - IAS 19 Discount rate: regional market issue;
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative);
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Introduction of the new Expenditure and Funding Analysis;
- The changes to the format of the Fund Account and the Net Assets Statement.

In the Financial Statements for 2016/17, the effect of the changes will be assessed and where necessary, the comparative figures restated.

# Police Officer Pension Fund Account

## Police Officer Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2015/16 financial year together with comparative information for 2014/15.

Police Officer Pension Fund Account		CC 2014/15 £000s	CC 2015/16 £000s
<b>Contributions Receivable</b>			
Employer			
- Contributions (21.3% of Pensionable Pay in 2015/16, 24.2% in 2014/15)		(9,794)	(8,286)
<b>Officers' Contributions</b>			
- 1987 Scheme Member Contributions (see narrative for rates)		(4,447)	(2,668)
- 2006 Scheme Member Contributions (see narrative for rates)		(1,068)	(93)
- 2015 Scheme Member Contributions (see narrative for rates)		0	(2,544)
		<b>(15,309)</b>	<b>(13,591)</b>
Transferees in from Other Schemes		(80)	(322)
Capital Equivalent charge for ill-health schemes		(364)	(132)
		<b>(444)</b>	<b>(454)</b>
<b>Benefits Payable</b>			
Recurrent Pensions		24,015	25,058
Commutations and Lump Sums		6,477	8,440
Other (Scheme Pays)		11	0
		<b>30,503</b>	<b>33,498</b>
<b>Payments to and on Account of Leavers</b>			
Refund of Contributions		3	44
Transfer out to other schemes		416	2
		<b>419</b>	<b>46</b>
<b>Net Amount Payable for the Year</b>		<b>15,169</b>	<b>19,499</b>
Additional Contribution from the Police & Crime Commissioner		(15,169)	(18,371)
Additional Funding Payable by the Constabulary (2.9%)		0	(1,128)
<b>Net Amount Payable (Receivable) for the Year</b>		<b>0</b>	<b>0</b>

## Net Assets Statement

This statement shows the net assets and liabilities of the scheme as at 31 March 2016.

Pension Fund Net Assets & liabilities		CC 2014/15 £000s	CC 2015/16 £000s
<b>Current Assets</b>			
Pensions Benefits paid in advance		2,104	2,173
<b>Current Liabilities</b>			
Amount due to the Police & Crime Commissioner		(2,104)	(2,173)
		<b>0</b>	<b>0</b>

## Accounting Policies

The Police Pension Fund Accounts have been prepared in accordance with the requirements of the Police Pension Fund Regulations 2015 (SI 2015 No 445). The Pensions Fund Accounts are administered by the Chief Constable and have been prepared on an accruals basis.

## Operation of Police Pensions Schemes

Up to 31 March 2015 the Chief Constable operated two Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the 2006 scheme and the previous 1987 scheme was closed to new members. Officers who were members of the 1987 scheme were allowed by regulation to become members of the 2006 scheme if they wished. Members' contribution rates for 2015/16 were between 11% and 12.75% (11%-12.75% in 2014/15) for the 2006 scheme and between 14.25% and 15.05% (14.25%-15.05% in 2014/15) for the 1987 scheme. The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 28). Detailed disclosure notes regarding the Police Pension schemes can be found in the Technical Annex to the Statement of Accounts (Annex B) Section B (pages 63-69).

From 1 April 2015, a new pension scheme has been introduced for Police Officers. The new scheme is based on career average revalued earnings (CARE). All Police Officers recruited from 1 April 2015 will automatically become members of the new scheme and the two previous schemes (1987 and 2006) have been closed to new members from that date. Members of the two older police pension schemes will either be fully protected in those schemes, transfer to the new 2015 scheme on 1 April 2015, or will transfer on different tapering dates in the future subject to individual circumstances around age and length of service remaining. The members' contribution rates for the new scheme ranged between 12.44% and 13.78% in 2015/16.

## Funding of Police Pension Schemes

In 2006/07 a new arrangement was established to fund Police Pensions. This revised arrangement is for both new and existing police officer schemes, but has no effect on the benefit structures of either scheme. The purpose of the change is to smooth fluctuations in costs that would previously have been charged to the Chief Constable's Comprehensive Income and Expenditure Statement on a 'pay as you go basis' and to more clearly show the effect of the liability as opposed to current pension payments. Under the revised arrangements the liability for payment of police pensions is removed from the Chief Constable and replaced with an employers' contribution, currently set at 21.3% (24.2% in 2014/15) of pensionable pay, which, along with the employee contributions and any transfer values, is paid into the pensions account. In addition the Constabulary is required to make an additional contribution to the police pension fund account which equates to 2.9% of pensionable pay to fund the difference between the pension fund deficit and the amount of top up grant received from the Home Office. The employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to periodic revaluation by the Government Actuary's Department. Pensions are then paid from this account. The pensions account is balanced to nil annually, with any shortfall met by a top up from the Commissioner, or vice versa. However, the Home Office indemnify the Commissioner against any financial liability arising from a deficit on the Pension Account by providing a grant to the Commissioner equal to the Commissioner's top up. Similarly, any surplus on the Pension Account is ultimately repayable to the Home Office.

# Glossary of Terms

## Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not when money is paid or received.

## ACPO

The Association of Chief Police Officers.

## Actuarial Valuation

A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, for example on behalf of a pension fund.

## Agency Costs

Services which are performed by or for another authority or public body, where the agent is reimbursed for the cost of the work done.

## Amortisation/Amortised Cost

The practice of reducing the value of assets to reflect their reduced worth over time. The term means the same as depreciation, though in practice amortisation tends to be used for the write-off of intangible assets, such as computer software.

## Budget

A statement of the Police and Crime Commissioner's plans in financial terms. A budget is prepared and approved by the Police and Crime Commissioner before the start of each financial year and is used to monitor actual expenditure throughout the year.

## Capital Adjustment Account

The CAA records the balance of resources set aside to finance capital expenditure (i.e. Capital Receipts, Minimum Revenue Provision (MRP), Direct Revenue Contributions (DRC) and Deferred Grants Account (DGA)) and also the consumption of resources associated with the historical cost of acquiring, creating or enhancing non-current assets over the life of those assets (i.e. depreciation/impairment).

## Capital Expenditure

As defined in section 16 of the Local Government Act 2003 and regulation 25 of the Capital Finance and Accounting Regulations 2003, but broadly expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

## Capital Financing Requirement (CFR)

The CFR is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any point in time.

## Capital Receipt

Monies received from the sale of capital assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules prescribed by Central Government. Capital Receipts cannot be used to finance revenue expenditure, with the exception that up to 4% of sale proceeds may be transferred to the General Fund to finance costs directly associated with the disposal of the asset.

## Cash and Cash Equivalents

Cash is represented by cash in hand and in bank accounts. Cash Equivalents include demand deposits with financial institutions which are highly liquid in that they are repayable without penalty on notice of not more than 24 hours.

## CC

The Chief Constable for Cumbria Constabulary.

## CC CFO

The Chief Constable's Chief Finance Officer.

## Chief Constable

The Chief Constable for Cumbria Constabulary.

## CIPFA

The Chartered Institute of Public Finance and Accountancy. The main professional body for accountants working in the public services.

## Commissioner

The Police and Crime Commissioner for Cumbria.

## Componentisation

Identifying and depreciating the components of an asset separately if they have differing patterns of benefits relative to the total cost of the asset.

## Contingency

A sum set aside to meet unforeseen expenditure.

## Creditors

Amounts owed by the Police and Crime Commissioner for goods and services provided which had not been paid for at the end of the financial year.

# Glossary of Terms

## Debtors

Amounts owing to the Police and Crime Commissioner but not received at the end of the financial year.

## Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

## De-minimis

In general the term means lacking in significance or importance. In terms of the accounts, a de-minimis limit is set for inclusion of projects in the capital programme, below this limit projects would be charged to revenue budgets.

## Direct Revenue Contributions (DRC)

Resources provided from the Police and Crime Commissioner's revenue budget to finance the cost of capital projects.

## Earmarked Reserves

Those elements of the Police Fund that have been set aside, "earmarked", for specific purposes.

## Fair Value

In accounting and economics, fair value is a rational and unbiased estimate of the potential market price of a good, service, or asset.

## Hedge Funds

A hedge fund is a pooled investment vehicle administered by a professional management firm, and often structured as a limited partnership/ limited liability company. Hedge funds invest in a diverse range of markets and use a wide variety of investment styles and financial instruments.

## Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

## HMIC

Her Majesty's Inspectorate of Constabulary who are a government agency responsible for monitoring the standards and performance of Constabularies.

## Impairment/Impaired

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

## Investment Property

Property (land or building) held solely to earn rentals or for capital appreciation or both, rather than for operational reasons such as the provision of services.

## Leasing

A method of financing expenditure over a period of time. There are two main types of lease:

- Finance Lease - where the risks of ownership are transferred to the lessee and where the assets are recorded in the Police and Crime Commissioner's balance sheet at a current valuation.
- Operating Lease - where the risks of ownership stay with the leasing company and the annual rental charges are made via the Revenue Account.

## Minimum Revenue Provision (MRP)

The minimum amount which must be set aside in the Revenue Account each year as a provision for credit liabilities.

## Non-current Assets

An asset, which will yield a benefit to the Police and Crime Commissioner for a period of more than one year.

## PCC

The Police and Crime Commissioner for Cumbria.

## PCC CFO

The Police and Crime Commissioner's Chief Finance Officer.

## Pension actuarial gains and losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with actuarial assumptions made for the last valuation (experience gains and losses) or
- the actuarial assumptions have changed.

## Pension – current service costs

The increase in the present value of a defined benefit's liabilities expected to arise from employee service in the current period.

## **Pension – defined benefit scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. The scheme rules define the benefits independently of the contribution payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

## **Pension assets – expected rate of return**

For a funded defined benefits scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **Pension – interest costs**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **Pension - past service costs**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

## **Police Objective Analysis (POA)**

The Police Objective Analysis (POA) is a model developed by the Home Office for analysing individual policing areas expenditure. It has been developed to support the need for understandable, accurate and consistent costing information to allow internal and inter-force comparisons.

## **Precept**

The demands made by the Police and Crime Commissioner on the district councils who are the billing authority in relation to the collection of council tax.

## **Private Equity Funds**

A private equity fund is a collective investment scheme used for making investments in various equity (and to a lesser extent debt) securities according to one of the investment strategies associated with private equity.

## **Provision**

An amount set aside to provide for a liability which is likely to be incurred, although the amount and date of that liability are uncertain.

## **Public Works Loan Board (PWLB)**

A Government agency which provides longer term loans to Local Authorities at interest rates which are only slightly higher than those at which the government itself can borrow.

## **Reserves**

An amount set aside for a specific purpose and carried forward to meet expenditure in future years. The Police Fund represents accumulated balances which may be used to support future spending.

## **Revaluation Reserve**

The revaluation reserve records the unrealised net gain from revaluation of non-current assets made after 1 April 2007. The balance is made up of individual credit balances associated with specific assets and will be equal to the difference between the current value net book value (NBV) and the historic cost NBV for all assets.

## **SERCOP**

The CIPFA Service Reporting Code of Practice. It was introduced as part of the Best Value Regime to bring about more consistent accounting treatment of costs and to facilitate more meaningful financial comparisons between Authorities.

## **The Commissioner**

The Police and Crime Commissioner for Cumbria.

## **TPA**

Territorial Policing Area.

# Appendix A - Statement of Accounting Policies

## 1 General Principles

The Statement of Accounts summarises the financial transactions for the 2015/16 financial year and the financial position at the 31 March 2016. The Police and Crime Commissioner and Chief Constable are each required to prepare an annual Statement of Accounts (single entity) in accordance with the Accounts and Audit Regulations 2015 which stipulate that the statements be prepared in accordance with proper accounting practices. Those practices primarily comprise the CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SERCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 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).
- For the financial year 2015/16 there has been a change in accounting policy, previously payments made to employees in April each year in respect of overtime, allowances and expenses were accrued into the previous financial year as they related to expense incurred during that year. The Chief Officer Group decided in December 2015 that this practice should be ceased in order to facilitate the earlier closure of accounts. The impact on the accounts for 2015/16 is not material. Future years will not be impacted as each financial year will contain 12 months worth of payments. At each year end consideration will be given to any particular circumstances occurring in March which would give rise to a material misstatement if those expenses were not accrued.

### Accrual Example 1

An electricity invoice received at the start of April will usually relate to the previous quarters electricity consumption (January to March) and as such this expenditure should be shown in the financial statements for the previous financial year. The invoice will actually be paid in the new year but the costs are charged to the previous year by way of an accrual.

### Accrual Example 2

The PCC/Constabulary insurance premiums are due on 1 November each year. The premium paid covers five months of the current financial year and seven months of the next. A prepayment is made in the accounts to move the cost of the seven months into the correct year.

# Appendix A - Statement of Accounting Policies

## 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.

**Materiality** – information is material if omitting it or misstating it could influence decisions that users make on the basis of the financial information about a specific reporting organisation. In other words, materiality is an organisation specific aspect of relevance based on the *nature or magnitude or both*, of the items to which the information relates in the context of the individual organisations financial statements.

## 5 Prior period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts and notes for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

For 2015/16 there has been a change in accounting estimate in relation to how the amount is calculated in respect of holiday entitlements, time off in lieu, flexi leave and rest days in lieu earned by employees but not taken before the year-end (as referenced in accounting policy section 7.1 below). Previously, the amounts for police staff whose duties were not recorded on the duties management system (DMS) were calculated from a manual data gathering exercise. This part of the calculation accounts for approximately 14% of the overall figure. For the 2015/16 accounts, the figure has been calculated as a percentage of the sum calculated for the larger proportion of police officers and staff whose duties are recorded on the DMS system in order to facilitate the earlier closure of accounts.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 6 Charges to Revenue for Non-Current Assets

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.

# Appendix 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 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 at the earlier of when the organisation can no longer withdraw the offer of those benefits or when the organisation recognises the costs for restructuring.

Where termination benefits involve enhancement of pensions, statutory provisions require the Police Fund balance be charged with the amount payable to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

## 8 Post-Employment Benefits

There are three pension schemes for police officers and a single scheme for police staff. They are all defined benefits schemes.

**Defined Benefit Scheme** – A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contribution payable and the benefits are not directly related to the investments of the scheme. The scheme may be *funded* or *unfunded*.

A **funded** scheme is one where employers and employees pay contributions into a fund. The payments to pensioners are then made from this fund.

An **unfunded** scheme is one where there is no fund with investment assets built up to meet pension liabilities and cash has to be generated (from employee and employer contributions) to meet the actual pension payments as they fall due.

All accounting entries 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 by the scheme actuary.

The liabilities of the pension fund 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

## Appendix A - Statement of Accounting Policies

earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate (see assumptions set out in Annex B, page 68).

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
  - Current service costs – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined pension benefit liability (asset) – i.e. the net interest expense for the organisation – the change during the period in the net defined pension benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined pension benefit obligation at the beginning of the period to the net defined pension benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined pension benefit liability (assets) during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
  - Return on plan assets-excluding amounts included in the net interest on the net defined pension liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions (demographic and financial) made at the last actuarial valuation or because the actuaries have updated their assumptions –charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the pension fund**
  - cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Police Fund to be charged with the amount payable to the pension funds in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the Police Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The pensions disclosures section of the technical Annex (Annex B) provides further information about the pension schemes (pages 63-69).

# Appendix A - Statement of Accounting Policies

## 8.2 Police Officers

There are currently three pension schemes in operation for Police Officers:

- The original Police Pension Scheme (PPS) is governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976.
- The new Police Pensions Scheme (NPPS) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006).
- The 2015 Police Pensions Scheme is a career average revalued earnings (CARE) scheme and is governed by the Police Pensions Scheme 2015 Regulations and related regulations under the Police Pensions Act 1976.

All three schemes are unfunded which means there are no investment assets built up to meet pensions liabilities from pensions or other retirement benefits for former employees.

The funding arrangements for police officers' pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a 'pay as you go' basis with the cost charged to the revenue account. From April 2006 onwards there is an employer's contribution rate set by the Home Office (21.3% of pensionable salary from April 2015 (previously 24.2%)), which is charged to the Comprehensive Income and Expenditure Statement. In addition the Constabulary is required to make an additional contribution to the Police Pension Fund Account which equates to 2.9% of pensionable pay to fund the difference between the contributions calculated with the current and previous rates.

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 47-48). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the police fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office. 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

# Appendix A - Statement of Accounting Policies

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.

Events taking place after the authorised for issue date are not reflected in the statement of accounts.

## 10 Financial Instruments - Financial Liabilities

Financial liabilities are initially measured at [fair value](#) and carried at their [amortised cost](#). 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.

# Appendix A - Statement of Accounting Policies

## 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).

## 16 Treatment of Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the [CIPFA Service Reporting Code of Practice 2015/16 \(SERCOP\)](#). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the status as a democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and [impairment](#) losses chargeable on assets held for sale.

The two cost categories are defined in the Service Reporting Code of Practice ([SERCOP](#)) and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Cost of Services.

Under the [Commissioner's](#) funding arrangement to the [Chief Constable](#) premises costs (except where they are directly attributable to the Chief Constable) are initially recorded in the accounts of the Commissioner and a recharge is made to the Chief Constable in the single entity comprehensive income and expenditure statements on an appropriate basis.

Under the Commissioner's funding arrangement to the Chief Constable transport, supplies and services costs and those for police staff supporting both the Commissioner and Chief Constable (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.

# Appendix A - Statement of Accounting Policies

## 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 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 9, page 35).

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.

# Appendix A - Statement of Accounting Policies

## 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.

## 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 2015/16 a discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuaries for the Police and LGPS pension funds have advised that a rate of 3.6% 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.

## Section A - Financial Instrument Disclosures

*Financial Instruments* are contracts that give rise to a financial asset in one entity and a financial liability in another. The term covers both **financial assets** such as loans and receivables and **financial liabilities** such as creditors and borrowings.

### A1 Categories of Financial Instrument

The following categories of financial instrument are carried in the balance sheet:

Categories of Financial Instruments	CC Current	
	31 March 2015 £000s	31 March 2016 £000s
<b>Financial Assets</b>		
Debtors		
Financial assets carried at contract amounts	215	75
<b>Total Financial Assets</b>	<b>215</b>	<b>75</b>
<b>Financial Liabilities</b>		
Creditors		
Financial liabilities carried at contract amounts	(7,542)	(7,687)
<b>Total Financial Liabilities</b>	<b>(7,542)</b>	<b>(7,687)</b>

### A2 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.

### A3 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 2015), 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 Public Works Loans Board (PWLB) and had at 31 March 2016 no actual external debt, having financed a number of recent projects through internal borrowing, there is no significant risk that it will be unable to raise finance to meet its commitments to the Chief Constable within the terms of the funding arrangement.

## Section B – Pensions Disclosures

### B1 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 2015/16 the Chief Constable made a contribution of 12.7% of pensionable pay. The past service contribution made in 2014/15 of £2,328k represented a three year contribution which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2013 with revised rates applicable from April 2014.
- The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The 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. In 2015/16 contribution rates for employers were 21.3% (previously 24.2%) of pensionable pay and was last reviewed in March 2012). In addition the Constabulary is required to make an additional contribution to the Police Pension Fund Account which equates to 2.9% of pensionable pay to fund the difference between the contributions calculated with the current and previous rates.

The 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.

**Defined Benefit Scheme** – A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contribution payable and the benefits are not directly related to the investments of the scheme. The scheme may be **funded** or **unfunded**.

A **funded** scheme is one where employers and employees pay contributions into a fund. The payments to pensioners are then made from this fund.

An **unfunded** scheme is one where there is no fund with investment assets built up to meet pension liabilities and cash has to be generated (from employee and employer contributions) to meet the actual pension payments as they fall due.

## Annex B – Technical Annex

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Pension Transactions in MiRS and CI&ES	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme		CC Total Pension Schemes	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Comprehensive Income and Expenditure Statement</b>												
<i>Cost of Services</i>												
<i>Service cost comprising:</i>												
• Current service cost	3,216	4,300	0	0	15,890	12,730	4,180	360	0	6,400	23,286	23,790
• (Gain)/loss from settlements	47	588	0	0	0	0	0	0	0	0	47	588
<i>Financing and Investment Income and Expenditure</i>												
• Net interest expense	567	976	49	39	42,610	36,380	1,230	1,060	0	150	44,456	38,605
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,830</b>	<b>5,864</b>	<b>49</b>	<b>39</b>	<b>58,500</b>	<b>49,110</b>	<b>5,410</b>	<b>1,420</b>	<b>0</b>	<b>6,550</b>	<b>67,789</b>	<b>62,983</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>												
<i>Remeasurement of the net defined benefit liability comprising:</i>												
• Return on plan assets (excluding the amount included in the net interest expense)	(9,413)	1,599	0	0	0	0	0	0	0	0	(9,413)	1,599
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	0	0	0	(41,730)	(16,720)	(2,480)	(560)	0	(130)	(44,210)	(17,410)
• Actuarial (gains) and losses arising on changes in financial assumptions	24,502	(10,354)	113	(38)	167,480	(91,120)	6,940	(7,450)	0	(780)	199,035	(109,742)
• Experience (gains) and losses on liabilities	0	0	0	0	(20,640)	(51,680)	(4,320)	7,320	0	30	(24,960)	(44,330)
• Administration expenses	87	87	0	0	0	0	0	0	0	0	87	87
<b>Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure</b>	<b>15,176</b>	<b>(8,668)</b>	<b>113</b>	<b>(38)</b>	<b>105,110</b>	<b>(159,520)</b>	<b>140</b>	<b>(690)</b>	<b>0</b>	<b>(880)</b>	<b>120,539</b>	<b>(169,796)</b>
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>19,006</b>	<b>(2,804)</b>	<b>162</b>	<b>1</b>	<b>163,610</b>	<b>(110,410)</b>	<b>5,550</b>	<b>730</b>	<b>0</b>	<b>5,670</b>	<b>188,328</b>	<b>(106,813)</b>
<i>Movement in Reserves Statement</i>												
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(3,830)	(5,864)	(49)	(39)	(58,500)	(49,110)	(5,410)	(1,420)	0	(6,550)	(67,789)	(62,983)
<i>Actual amount charged against the General Fund</i>												
<i>Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	4,559	2,977	65	65	0	0	0	0	0	0	4,624	3,042
• Retirements benefits payable to pensioners	0	0	0	0	27,070	28,880	(1,080)	(210)	0	(2,570)	25,990	26,100
<b>Total amount charged against the Police Fund</b>	<b>4,559</b>	<b>2,977</b>	<b>65</b>	<b>65</b>	<b>27,070</b>	<b>28,880</b>	<b>(1,080)</b>	<b>(210)</b>	<b>0</b>	<b>(2,570)</b>	<b>30,614</b>	<b>29,142</b>
<i>Balance for pensions in the year</i>												

## Annex B – Technical Annex

### B2 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 2016 with comparative information for the previous year are as follows:

Pension Scheme Assets & Liabilities	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(133,274)	(130,972)	(1,168)	(1,104)	(1,110,620)	(971,330)	(31,950)	(32,890)	0	(8,240)
Fair value of plan assets	103,061	106,540	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(30,213)	(24,432)	(1,168)	(1,104)	(1,110,620)	(971,330)	(31,950)	(32,890)	0	(8,240)

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 £1.038b (£1.174b in 2014/15) 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 £1.041b (£1.177b in 2014/15).

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.

## Annex B – Technical Annex

Reconciliation of present value of scheme liabilities:

Reconciliation of Scheme Liabilities	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(100,858)	(133,274)	(1,067)	(1,168)	(974,080)	(1,110,620)	(25,320)	(31,950)	0	0
Adjustment to Opening Balance	(882)	0	(4)	0						
<b>Adjusted Balance at Start of Year</b>	<b>(101,740)</b>	<b>(133,274)</b>	<b>(1,071)</b>	<b>(1,168)</b>	<b>(974,080)</b>	<b>(1,110,620)</b>	<b>(25,320)</b>	<b>(31,950)</b>	<b>0</b>	<b>0</b>
Current service cost	(3,216)	(4,300)	0	0	(15,890)	(12,730)	(4,180)	(360)	0	(6,400)
Interest cost	(4,660)	(4,508)	(49)	(39)	(42,610)	(36,380)	(1,230)	(1,060)	0	(150)
Contributions by Scheme Participants	(1,117)	(1,120)			(4,450)	(2,670)	(1,070)	(90)	0	(2,540)
Remeasurement gains and (losses):										
- Arising from changes in demographic assumptions	0	0	0	0	41,730	16,720	2,480	560	0	130
- Arising from changes in financial assumptions	(24,502)	10,354	(113)	38	(167,480)	91,120	(6,940)	7,450	0	780
- Experience gains/(losses)	0	0	0	0	20,640	51,680	4,320	(7,320)	0	(30)
Gains/(losses) on curtailment	(47)	(588)	0	0	0	0	0	0	0	0
Benefits Paid/Transfers	2,008	2,464	65	65	31,520	31,550	(10)	(120)	0	(30)
<b>Balance at End of Year</b>	<b>(133,274)</b>	<b>(130,972)</b>	<b>(1,168)</b>	<b>(1,104)</b>	<b>(1,110,620)</b>	<b>(971,330)</b>	<b>(31,950)</b>	<b>(32,890)</b>	<b>0</b>	<b>(8,240)</b>

*The liabilities under both the LGPS and Police Pension Schemes have reduced during 2015/16. The Principal reason for this reduction is in relation to a change in financial and demographic assumptions by the scheme actuaries.*

Reconciliation of [fair value](#) of the scheme assets:

Reconciliation of Scheme Assets	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits	
	2014/15	2015/16	2014/15	2015/16
	£000s	£000s	£000s	£000s
Balance at Start of Year	85,149	103,061	0	0
Adjustment to Opening Balance	825	0	0	0
<b>Adjusted Balance at Start of Year</b>	<b>85,974</b>	<b>103,061</b>	<b>0</b>	<b>0</b>
Interest Income	4,093	3,532	0	0
Remeasurements - Gains and (Losses)	9,413	(1,599)	0	0
Administration Expenses	(87)	(87)	0	0
Employer Contributions	4,559	2,977	65	65
Contributions by Scheme Participants	1,117	1,120	0	0
Benefits Paid	(2,008)	(2,464)	(65)	(65)
<b>Balance at End of Year</b>	<b>103,061</b>	<b>106,540</b>	<b>0</b>	<b>0</b>

## Annex B – Technical Annex

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 2014/15		CC 2015/16	
		£000s	%	£000s	%
<b>Equities</b>					
UK Quoted	Y	14,119	13.70%	14,062	13.20%
UK Unquoted	N	0	0.00%	0	0.00%
Global Quoted	Y	18,758	18.20%	20,030	18.80%
UK Equity Pooled	N	5,153	5.00%	3,729	3.50%
Overseas Equity Pooled	N	16,387	15.90%	17,579	16.50%
<b>Bonds</b>					
UK Corporate Bonds	Y	7,214	7.00%	7,351	6.90%
Overseas Corporate Bonds	Y	412	0.40%	426	0.40%
UK Corporate Bonds Pooled	N	0	0.00%	0	0.00%
UK Government Indexed Pooled	N	18,964	18.40%	19,071	17.90%
<b>Property</b>					
UK	Y	7,420	7.20%	8,204	7.70%
Property Funds	N	3,504	3.40%	3,835	3.60%
<b>Alternatives</b>					
Hedge Funds	N	103	0.10%	0	0.00%
Private Equity Funds	N	1,752	1.70%	2,237	2.10%
Infrastructure Funds	N	5,256	5.10%	5,860	5.50%
Real Estate Debt Funds	N	412	0.40%	746	0.70%
<b>Cash</b>					
Cash Instruments	Y	0	0.00%	0	0.00%
Cash Accounts	Y	3,401	3.30%	3,303	3.10%
Net Current Assets	N	206	0.20%	107	0.10%
		<b>103,061</b>	<b>100.00%</b>	<b>106,540</b>	<b>100.00%</b>

### B3 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which provides an estimate of the pensions that will be payable in future years using assumptions about mortality rates, salary levels, etc. William M Mercer, an independent firm of actuaries, has carried out the assessment on the Local Government Pension Scheme. These accounts are based on the [actuarial valuation](#) undertaken on 31 March 2013. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

## Annex B – Technical Annex

The principal assumptions used by the actuary have been:-

Actuarial Assumptions	LGPS		Police Scheme	
	2014/15	2015/16	2014/15	2015/16
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	23.0	23.1	23.3	23.1
- Women	25.6	25.7	25.7	25.1
Longevity at 65 for future pensioners:				
- Men	25.8	25.9	25.4	25.1
- Women	28.8	28.9	27.9	27.2
Rate of Inflation (CPI)	2.0-2.1%	2.0%	2.2%	2.2%
Rate of increase in salaries	3.5-3.6%	3.5%	4.2%	1.0%
Rate of increase in pensions	2.0-2.1%	2.0%	2.2%	0.0%
Rate for discounting scheme liabilities	3.3-3.4%	3.6%	3.3%	3.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. 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

Sensitivity Analysis - LGPS	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
<b>Local Government Pension Scheme</b>			
Longevity (1 Year increase in life expectancy)	2,263	86	83
Rate of Inflation (increase by 0.1%)	3,392	131	124
Rate of Increase in Salaries (increase by 0.1%)	1,580	0	58
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(3,306)	(126)	(98)

## Annex B – Technical Annex

### Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Police	CC	Police
	Pensions	Pensions	Pensions
	1987	2006	2015
	Scheme	Scheme	Scheme
	£000s	£000s	£000s
<b>Assumption Sensitivity</b>			
Longevity (1 Year increase in life expectancy)	22,300	600	100
Rate of Increase in Pensions (increase by 0.5%)	81,900	3,100	1,600
Rate of Increase in Salaries (increase by 0.5%)	7,300	2,300	0
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(100,100)	(6,400)	(1,600)
Early retirement (each member retiring 1 year earlier than expected)	(2,800)	(400)	(200)

The above tables include the impact of an increase in assumptions, a reduction in assumptions will produce approximately an equal and opposite change.

#### B4 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 will take place during 2016/17 based on the position at 31 March 2016. Any change in contribution rates as a result of this valuation will be applicable from 1 April 2017.

The pension schemes will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS and the other main existing public service schemes in England and Wales (which includes the Police Pension schemes) may not provide benefits in relation to service after 31 March 2014 (after 31 March 2015 for other main public service schemes e.g. Police Pension Schemes). This means that the LGPS ceased to be a final salary schemes from 31 March 2014 and the Police Pension Scheme ceased to be a final salary pension scheme from 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2017 are £2,397k. Expected contributions for the Police Pension Scheme in the year to 31 March 2017 are £11,024k.

The weighted average duration of the defined benefit obligation for scheme members is shown in the table below:

Weighted Average Duration of the Defined benefit Obligation	2014/15	2015/16
	Years	Years
<b>Pensions Scheme</b>		
Local Government Pension Scheme	20-22	26
Police Pension -1987 Scheme	22	21
Police Pension -2006 Scheme	33	37
Police Pension -2015 Scheme	N/A	37

## Section C – Segmental Reporting

### C1 Subjective Analysis of Income and Expenditure

The revenue income and expenditure account is shown below on a subjective basis for information.

Subjective Analysis	Notes	CC	CC	CC	CC	CC	CC
		2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s	2015/16 Gross Expenditure £000s	2015/16 Gross Income £000s	2015/16 Net Expenditure £000s
Police Pay & Allowances		32,105	0	32,105	31,027	0	31,027
PCSO Pay & Allowances		2,468	0	2,468	2,790	0	2,790
Police Staff Pay & Allowances		20,217	(140)	20,077	20,108	(164)	19,944
Other Employee Costs		2,937	(30)	2,907	3,895	(32)	3,863
Police Pensions - IAS19 Current Service Costs		20,070	0	20,070	19,490	0	19,490
<b>Total Employee Costs</b>		<b>77,797</b>	<b>(170)</b>	<b>77,627</b>	<b>77,310</b>	<b>(196)</b>	<b>77,114</b>
Premises		5,238	0	5,238	5,142	0	5,142
Transport		3,466	(43)	3,423	3,328	(45)	3,283
Supplies & services		11,804	(94)	11,710	12,357	(109)	12,248
Agency & Contract Services		848	0	848	996	0	996
Support Services		86	0	86	138	0	138
Pension Interest Costs	Annex B	48,549	(4,093)	44,456	42,137	(3,532)	38,605
<b>Gross Operating Expenditure</b>		<b>147,788</b>	<b>(4,400)</b>	<b>143,388</b>	<b>141,408</b>	<b>(3,882)</b>	<b>137,526</b>
Non Distributed Costs		47	0	47	588	0	588
Funding from PCC to reimburse expenditure by CC		0	(106,912)	(106,912)	0	(104,109)	(104,109)
<b>Net Operating Expenditure</b>		<b>147,835</b>	<b>(111,312)</b>	<b>36,523</b>	<b>141,996</b>	<b>(107,991)</b>	<b>34,005</b>
Pensions Adjustment	Annex B	(37,175)	0	(37,175)	(33,841)	0	(33,841)
Transfers to/(from) Accumulated Absences A/c	11b	652	0	652	(164)	0	(164)
<b>Total</b>		<b>111,312</b>	<b>(111,312)</b>	<b>0</b>	<b>107,991</b>	<b>(107,991)</b>	<b>0</b>

## Annex B – Technical Annex

### C1(i) Income and Expenditure by Command/Directorate

The income and expenditure of the [Chief Constable's](#) principal Commands/Directorates is recorded in the [budget](#) reports for the year as follows:

Income & Expenditure by Reporting Segments	Expenditure			Income		Net Total
	Employee Expenses	Other Operating Expenses	Total	Funding provided by PCC to CC	Total	
	£000s	£000s	£000s	£000s	£000s	
Cumbria Constabulary						
- Territorial Policing Command	49,481	8,693	<b>58,174</b>	0	0	<b>58,174</b>
- Crime Command	16,619	2,000	<b>18,619</b>	0	0	<b>18,619</b>
- Corporate Support	7,757	10,594	<b>18,351</b>	(104,109)	<b>(104,109)</b>	<b>(85,758)</b>
- Corporate Improvement	677	122	<b>799</b>	0	0	<b>799</b>
- Professional Standards	983	37	<b>1,020</b>	0	0	<b>1,020</b>
- Legal Services	327	80	<b>407</b>	0	0	<b>407</b>
<b>Total</b>	<b>75,844</b>	<b>21,526</b>	<b>97,370</b>	<b>(104,109)</b>	<b>(104,109)</b>	<b>(6,739)</b>

The comparative information for 2014/15 is as follows:

Income & Expenditure by Reporting Segments	Expenditure			Income		Net Total
	Employee Expenses	Other Operating Expenses	Total	Funding provided by PCC to CC	Total	
	£000s	£000s	£000s	£000s	£000s	
Cumbria Constabulary						
- Territorial Policing Command	52,566	8,566	<b>61,132</b>	0	0	<b>61,132</b>
- Crime Command	16,555	2,058	<b>18,613</b>	0	0	<b>18,613</b>
- Corporate Support	7,499	9,739	<b>17,238</b>	(106,912)	<b>(106,912)</b>	<b>(89,674)</b>
- Corporate Improvement	612	135	<b>747</b>	0	0	<b>747</b>
- Professional Standards	983	38	<b>1,021</b>	0	0	<b>1,021</b>
- Legal Services	320	69	<b>389</b>	0	0	<b>389</b>
<b>Total</b>	<b>78,535</b>	<b>20,605</b>	<b>99,140</b>	<b>(106,912)</b>	<b>(106,912)</b>	<b>(7,772)</b>

## Annex B – Technical Annex

### C1(ii) Reconciliation of Command/Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Command/Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Cost of Services in CI&ES	CC	CC
	2014/15 £000s	2015/16 £000s
Net Expenditure in Service Analysis (above)	(7,772)	(6,739)
Add services not included in main analysis	7,788	6,725
Add technical accounting adjustments (not reported in management accounts)	(36,507)	(33,988)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	28,558	29,402
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(7,933)</b>	<b>(4,600)</b>

### C1(iii) Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Command/Directorate Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

The figures for 2015/16 are as follows:

Reconciliation to Subjective Analysis	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	(104,109)	0	0	0	(104,109)	0	(104,109)
<b>Total Income</b>	<b>(104,109)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(104,109)</b>	<b>0</b>	<b>(104,109)</b>
Employee expenses	75,844	6,444	(33,988)	29,402	77,702	38,605	116,307
Other service expenses	21,526	281	0	0	21,807	0	21,807
<b>Total operating expenses</b>	<b>97,370</b>	<b>6,725</b>	<b>(33,988)</b>	<b>29,402</b>	<b>99,509</b>	<b>38,605</b>	<b>138,114</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>(6,739)</b>	<b>6,725</b>	<b>(33,988)</b>	<b>29,402</b>	<b>(4,600)</b>	<b>38,605</b>	<b>34,005</b>

The comparative information for 2014/15 is as follows:

Reconciliation to Subjective Analysis	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	(106,912)	0	0	0	(106,912)	0	(106,912)
<b>Total Income</b>	<b>(106,912)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(106,912)</b>	<b>0</b>	<b>(106,912)</b>
Employee expenses	78,535	7,088	(36,507)	28,558	77,674	44,456	122,130
Other service expenses	20,605	700	0	0	21,305	0	21,305
<b>Total operating expenses</b>	<b>99,140</b>	<b>7,788</b>	<b>(36,507)</b>	<b>28,558</b>	<b>98,979</b>	<b>44,456</b>	<b>143,435</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>(7,772)</b>	<b>7,788</b>	<b>(36,507)</b>	<b>28,558</b>	<b>(7,933)</b>	<b>44,456</b>	<b>36,523</b>



The Chief Constable for Cumbria Constabulary  
Annual Governance Statement 2015/16

# Annex C – 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 6(1) and 10(1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement, which must accompany the Chief Constable's statement of accounts.

## PURPOSE OF THE GOVERNANCE FRAMEWORK

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 policing 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 REVIEW OF 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 review comprises

- A cyclical detailed review of the key documents within the Chief Constable's governance framework e.g. Financial Regulations. The review includes consideration of the documents by the Joint Audit and Standards Committee prior to their presentation to the Chief Constable for approval.
- An overarching review of the governance arrangements in place to support each core principle within the CIPFA Solace guidance. As part of the review the Chief Constable's Code of Corporate Governance is updated to reflect changes to the governance framework and

### *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*

the implementation of the prior year's AGS development plan.

- A review of what has happened during the past year to evidence how the governance framework has been complied with. The process includes consideration of the questions and challenges raised within the CIPFA Good Governance Guidance Note for Police and a discussion on how well existing

## Annex C – Annual Governance Statement

arrangements meet the good practice guidance within the guidance.

- A review of the effectiveness of the arrangements for internal audit undertaken by the Commissioner's Chief Finance Officer against the Public Sector Internal Audit Standards and the Internal Audit Charter. It supports a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control. The review is supported by consideration of the opinion of the Chief Internal Auditor on the Chief Constable's control environment as set out in her annual report.
- A review of the effectiveness of the Joint Audit and Standards Committee is considered against CIPFA guidance on Audit Committees for Police. This is a self-assessment by the Committee and supported by the Commissioner's Chief Finance Officer. As part of the review consideration is given to assurance that can be provided by the Committee's annual work programme in evidencing the effectiveness of internal controls and as a contribution to the effectiveness of overall governance arrangements.

As part of the review process, the annual governance statement is prepared and presented in draft to the Chief Constable's Internal Auditors and the Joint Audit and Standards Committee, alongside a report detailing the findings of the review. In preparing the Governance Statement the narrative provided aims not only to describe the governance arrangements which are in place, but, to also outline the resulting outcomes in

relation to the performance and development of the organisation. The resulting narrative is a lengthy document, but which provides the reader with a more comprehensive analysis of the Constabulary's governance activities and their effectiveness. The Governance Statement incorporates an action plan which identifies areas for development and improvement that have been highlighted during the review process. The Statement is approved by the Chief Officer Group prior to being issued alongside the draft unaudited statement of accounts.

The AGS remains under review during the audit of the financial statements. It is updated where appropriate, following the audit, with consideration being given to the opinion of the External Auditor, expressed within her Audit Findings Report and the External Auditor's value for money conclusion.

The following paragraphs detail how the Chief Constables has complied with the governance framework, set out within the Code to meet of each of the six governance principles. Whilst the review did not highlight any serious deficiencies in relation to compliance with the Code, the Constabulary is making on-going efforts to improve the effectiveness of governance. Accordingly each section of the statement includes a commentary on areas for development and improvement, which were identified 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 the 2014/15 and how they were addressed in 2015/16.

## Annex C – Annual Governance Statement

**Jeremy Graham**

Chief Constable

Signatures have been removed for the purposes of publication on the website.

**Roger Marshall**

Chief Finance Officer

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, which is *'Keeping Cumbria Safe'*. Following 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 :

- Protecting vulnerable people:
  - Dealing with the issues related to vulnerable children- child abuse and child sexual exploitation
  - Reducing the harm caused by domestic abuse, encouraging people to report to the police
- Preventing and detecting violence against the person offences, especially sexual offences
- Tackling serious and organised crime, especially burglary, theft of vehicles and class A drug supply, particularly heroin and cocaine.

The Commissioner approved these key objectives and incorporated them into his Police & Crime Plan to complement his aims.

The Constabulary worked with the Office of the Police and Crime Commissioner (OPCC) to develop the performance framework. This set of measures and targets supports delivery of the Police and Crime Plan and is the mechanism used by the Commissioner to hold the Chief Constable to account. Progress against these measures has been reported to the Commissioner every two months at the public Executive Board.

During 2015/16 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 where this was indicated. The statistical analysis and evaluation of performance is carried out according to Home Office standards. One example was the significant increase in overall crime during 2015/16. The analysis showed that the main causes of the increase were:

- Improved crime recording based on Home Office National Crime Recording Standard following work in the Constabulary to improve compliance
- Delivery of the OPCC and Constabulary's aspiration (as set out in the Police and Crime Plan) to encourage reporting of:
  - Rape, other sexual assault and hate crime.

## Annex C – Annual Governance Statement

- Domestic abuse related crimes (which accounted for 13% of the increase in all crimes (reported to February 2016))
- New offence codes introduced by the Home Office during 2015, which have resulted in 253 additional crimes during from April 2015 – January 2016, compared to the same period in 2014/15, accounting for 15% of the total increase in crimes in 2015/2016.

During 2015/16, performance management arrangements were reviewed and improved. The strategy – *Performance management in Cumbria Constabulary: Managing our resources to improve outcomes for the people of Cumbria* documents the key themes that show how performance management is embedded within the Constabulary. This is achieved mainly through the use of:

- Monthly briefings from Corporate Improvement to all chief officers and senior management and to the operational monthly performance meetings, these include detailed root cause analysis and recommended actions to take
- Performance discussions at all operational Senior Management Team meetings as a standard agenda item
- A specific Protecting Vulnerable People monthly performance meeting to focus on the key objectives to reduce 'threat, risk and harm' to vulnerable people and children
- Holding Performance Development Conferences every four months within each policing and business function to discuss strategic and local performance issues and determine improvement actions, such as violent crime, sickness and data quality
- Reviewing performance at least yearly as part of Strategy Days attended by all senior management
- Further development of the sophisticated and comprehensive Performance Dashboard for crimes and incidents, user satisfaction, productivity and diversity measures. This 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
- Individual performance meetings within the Territorial Policing Command every 5 and 15 weeks with constables and, every 15 weeks with sergeants and PCSOs. The meetings use a set agenda covering - compliance, current workload and contribution to priorities (productivity), evidential property management, training, development, welfare and attendance. Formal individual performance reviews for all officers and staff were suspended in 2013 in the context of the high level of change programme reviews being undertaken across the Constabulary and pending new guidance from the College of Policing linked to the Winsor Review of police officer and staff terms and conditions. It is intended to re-introduce PDRs and extend the

## Annex C – Annual Governance Statement

regular performance review process to all officers and staff in 2016/17.

- Internal performance information reports, which have been re-designed and expanded to provide a more comprehensive picture of performance for senior management, ensuring that real performance issues are tackled.
- The main external public facing report has been redesigned for simpler and easier access to information for the public to support transparency and help understanding of policing issues.

The Constabulary performs well and has achieved a significant reduction in anti-social behaviour since 2009/10 (falling by 31% in the last 12 months (February 2016) and user satisfaction levels are consistently high.

Latest perceptions data released by the ONS on 21<sup>st</sup> January 2016 shows that, out of all the 43 police forces in England and Wales, Cumbria has the lowest % of survey respondents who said they had either experienced or witnessed any sort of anti-social behaviour incident in their local area.

Thematic reports for specific areas have also been published and discussed at the Commissioner's public Executive Board. Examples include: domestic abuse, rural crime, use of stop search, equality, vulnerability, roads policing and countering anti-social behaviour. The Constabulary agrees a schedule of themed reports as part of its performance management arrangements with the Commissioner.

During 2015/16 the Constabulary developed a Plan on A Page to help all officers and staff focus on the Constabulary's priorities and to support internal communications. This was promoted during Chief Officer Roadshows across the county and is consistently available to officers and staff via a number of mediums, including on noticeboards across the Constabulary and on the intranet. An Annual Report was written outlining achievements during the year to support the Commissioner's 2016/17 budget submission to the Police and Crime Panel.

The Constabulary developed and implemented an internal and external communications strategy to support delivery of operational policing and its outcomes, including effective demand reduction activity through its new website. The strategy is based on evidence of what works and is aligned with the operational tasking processes and national police communications' initiatives to maximise value for money.

During 2015/16 the Constabulary submitted a formal budget proposal for 2016/17 to the Commissioner as part of a medium term financial forecast (MTFF) covering the four year period to 2019/20. 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 2016/17 and forecasts of funding for subsequent years. The enhancements to governance arrangements in relation to the budget setting whereby all non-staff budgets were subject to detailed scrutiny through a series of 'Star Chambers' involving Chief Officers and senior

## Annex C – Annual Governance Statement

finance staff were further developed for the 2016/17 budget, identifying additional savings of £1.2m, which were removed from Constabulary budgets. Further work was also undertaken to improve the accuracy of pay budgets.

Whilst the Government's decision to protect policing services from further cuts in the Comprehensive Spending Review, announced in November 2015, has eased the financial pressure on the Constabulary, the Home Office review of the police funding formula poses a significant threat to future funding levels. The implementation of the new formula has been postponed until 2017/18, to enable further consultation on developing an equitable distribution of resources to take place however, this has introduced an unusually high level of uncertainty in future financial forecasts. The core assumption in the MTFF is that formula grant will reduce by £9.9m from 2017/18, which means that further savings of at least £9.0m would need to be delivered over the MTFF period to balance the budget over the medium term.

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:

- Development and delivery of the Demand Reduction Plan
- Delivery of the Productivity Strategy

- 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 2016/17. These work-streams will be managed through the Constabulary's Change Programme.

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 2015/16 the Change Programme:

- Delivered a saving of £1.3 million from the revenue budget that was planned for 2015/16
- Implemented changes to how the Constabulary delivers community and response policing to match the reducing resources available, including the number of teams and deployment bases, the level of supervision required and changes to shift patterns to match the demands on the service. These changes will be evaluated in 2016/17.
- Changed how the service organises and responds to calls for service, fundamentally changing how the Constabulary will operate with fewer resources by managing demand based on threat, risk and harm and using frontline police officers to achieve this at the start of the process.
- Implemented changes to how resources are managed strategically and tasked daily to maximise productivity.
- Developed proposals for a smaller strategic Community Safety function and embedding its activities within the neighbourhood policing

## Annex C – Annual Governance Statement

teams to improve productivity and prioritisation of activity. These are being implemented in 2016/17

- Rationalised the Criminal Justice Units from two to one, supported by the introduction of a new IT Case and Custody system which streamlines and digitises processes.
- Developed its plans for the next four year period to 2020 to achieve the government savings required

The uncertainty regarding the scale of the future savings requirements has impacted on change planning. The scope of the existing Change Programme, which is planned to deliver savings of £7.2m by 2021, has been expanded through the commissioning of a number of reviews which will aim to develop scalable service delivery solutions to support major areas of business. It is envisaged that this work will facilitate the delivery of savings of up to £19m. These reviews are scheduled to be concluded in the autumn of 2016 in order to be prepared for any changes to the Police Funding Formula.

During 2015/16 the Constabulary has engaged with the National College of Policing Demand Reduction initiative, with the aim of developing local plans to reduce demand. During the year Vulnerable Locations Indexing has been applied to two areas with the aim of working with partners to develop multi agency strategies to address problems and reduce demand.

To complement these approaches, the Productivity Strategy was developed and implemented during 2015/16. Police productivity

is raising performance by improving the impact of people and resources to achieve the Chief Constable's aim of *Keeping Cumbria Safe* with the funding available.

During 2015/16 the Constabulary has continued to develop its business planning aligned to the MTF. Refreshed strategies in relation to ICT, fleet and estates have been produced and agreed by the Commissioner. In addition, a Procurement Strategy has been developed and agreed.

Investments in mobile and digital technology and replacement of core ICT systems to increase the productivity of officers, which were agreed in 2014/15, have now entered their delivery phase and regular progress reports produced for the Commissioner. Tablet devices with police specific applications are now used by all officers, with the aim of increasing visibility and productivity.

Previous work to develop workforce planning processes, involving close collaboration between the HR, finance has continued and has provided benefits in relation to greater alignment with both the planned establishment and budget during 2015/16. The workforce plan is considered by regular strategic and tactical level groups within the Constabulary with the aim of ensuring that numbers of officers, PCSOs and staff are in line with the planned establishment.

The Constabulary has carried out a detailed analysis of its user satisfaction surveys for both crime and antisocial behaviour, which involved identifying the key actions required to improve people's experience of using police services.

## Annex C – Annual Governance Statement

Recommendations were approved by senior operational staff and have led to the further development of the Improvement Action Plans for 2016/17, to improve services for all users, including diverse groups.

During 2015/16 the Constabulary has been inspected by HMIC and received reports on police efficiency, effectiveness and legitimacy (known as PEEL). There are four grades that can be achieved - outstanding, good, requires improvement and inadequate.

The Constabulary has been rated as good for efficiency and legitimacy, recognising

- Success in delivering savings, using resources to meet demand, providing value for money and having an affordable workforce model.
- Providing a fair service and having an ethical culture.

The Constabulary has been rated as requiring improvement for effectiveness. Strengths were recognised in relation to preventing crime, dealing with anti-social behaviour and keeping people safe Areas for improvement where weaknesses were identified include:

- Investigating crime and managing offenders.
- Protecting those who are vulnerable from harm and supporting victims.
- Tackling serious and organised crime

HMIC has also conducted thematic inspections for custody and firearms licensing. A small number of areas for improvement have been identified from

the other inspections and action plans have been developed.

The Constabulary developed a comprehensive Improvement Action Plan based on all HMIC actions and recommendations to deliver improvements to services. This has been further developed as part of the strategic plans for 2016/17.

In addition, the Constabulary has committed to deliver business improvement to deliver better services to the public and has developed a comprehensive strategy to achieve this. It has committed resources to audit and compliance, embedding continuous improvement and, identifying and developing good practice.

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, with robust financial challenge to budget holders, to secure maximum value from the resources available. Reports on Value for Money have been submitted to the PCC Executive Board and the Police and Crime Panel. In general, the VFM work has shown the Constabulary to benchmark well, although, in some instances costs may appear to be relatively high when measured per head of population. This is principally attributable to the logistics of providing an effective policing service over such a geographically sparse county.

## Annex C – Annual Governance Statement

The understanding gained from the Constabulary's Value for Money analysis has delivered particular benefits in providing the basis for responding to the Police Funding Formula consultation exercise, by illustrating the additional costs incurred in providing policing services in a rural locality.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

During 2016/17 the Constabulary will:

Evaluate the revised performance management arrangements, making recommendations for improvement where appropriate.

Work with the new Police and Crime Commissioner to develop performance management arrangements enabling him to hold the Chief Constable to account effectively.

Write an Annual Report to support the Commissioner's 2017/18 budget submission to the Police and Crime Panel.

Further develop the strategic resource management performance framework to drive improvements in our use of resources, including development of a Resource Management Strategy. This will complement the Constabulary's Continuous Improvement, Efficiency and Value for Money Strategy and will ensure that the benefits of significant investment in change and ICT are delivered.

Develop a revised Plan on a Page for 2016/17 to help all officers and staff focus on the

Constabulary's priorities and support internal communications.

Re-introduce a formal performance development and review (PDR) process for all officers and staff during 2016/17, in accordance with College of Policing guidance.

Continue to develop the Demand Reduction Strategy including:

- Development of an annual process to evaluate resource allocation to ensure that resources are aligned to demand, threat, risk and harm.
- Extend the use of Vulnerable Locations Indexing approach to multi agency working.
- Develop multi agency working in relation to mental health issues
- Join performance and intelligence meetings join together to rationalise processes and improve outcomes for the public.

Develop internal and external communications strategy for 2016/17 to support delivery of operational policing and its outcomes, including effective demand reduction activity.

Develop Business Improvement Plans based on our priorities and all HMIC actions and recommendations to deliver improvements to services and, to publish this plan on our website.

Embed the role of the Business Improvement Unit in quality assuring the implementation of action plans.

## Annex C – Annual Governance Statement

Develop a Management Information Strategy to inform future ICT developments, improve the information available to managers for effective

decision making, to support improvements in services for the public and, develop and improve the dashboards available to officers and staff.

### 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 PR&SRA and the PPO also set out the function and roles of statutory officers, namely the Chief Constable's Chief Financial Officer.

During 2015/16, the changes to the Constabulary's strategic governance framework and board structure, introduced in 2013/14 were subject to further refinement, with the aim of ensuring

- 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
- Providing clarity about what decisions are made by each governance board, and what needs to be escalated or devolved
- Providing 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.

In the context of the scale of change currently being undertaken within the Constabulary to deliver savings and improve productivity, the

Force Strategic Delivery Board, which was established at the start of 2014/15, remains a key forum in which change proposals are developed and finalised prior to submission to the Chief Officer Group for agreement. This board also ensures that there is a holistic approach to change, which takes full account of interdependencies between all change work-streams. Task and Finish Groups support the main board to ensure that the Constabulary has the capacity to deliver specific major pieces of work.

The Constabulary continuously evaluates the effectiveness of its governance arrangements including the board structure, making recommendations to improve. In order to manage the significant amount and complexity of change undertaken and delivered by the Constabulary during 2015/16 two additional boards were introduced to ensure that the planned changes are managed on an agile and co-ordinated basis:

- Gold Implementation Group: chaired by Deputy Chief constable, is held weekly to troubleshoot critical issues and manage resources across all portfolios to deliver change and ICT
- Tactical Implementation Group: chaired by the Chief Superintendent, is held weekly to coordinate implementation, fix tactical issues or escalate; identify additional resources. For example, in response to the fundamental changes to core policing activities which were implemented in 2015/16.

## Annex C – Annual Governance Statement

During 2015/16 the Commissioner's Procurement Regulations, which have been adopted by the Constabulary, have been reviewed as part of a cyclical review of key governance documents. Changes have been made to take into account updated legislative and regulatory changes and to ensure that specialist advice from the Procurement Department is always sought for significant procurements.

During the year formal reviews of the roles of the Chief Constable's Chief Finance Officer and the Head of Internal Audit against CIPFA guidance have been undertaken, which have concluded that both roles are fully compliant.

To support working together, the Chief Officer Group have held strategy days for senior management and road shows across county, which were open to all officers and staff. These events enabled the Chief Constable to plan, discuss and communicate his vision and strategic objectives, the challenges facing the Constabulary and the rationale for planned changes to address these issues. 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.

## Annex C – Annual Governance Statement

The Chief Constable is actively engaging with the Cumbria Chief Executives Group to promote a better understanding of demand for public services and to reduce waste by promoting a co-ordinated approach to delivery of public services in Cumbria. The Constabulary has also recently appointed an additional Chief Superintendent role, a primary element of whose responsibilities is to work with other agencies in managing demands for service more effectively.

The Constabulary has worked with Lancashire Constabulary to develop and formalise a Strategic Alliance. The purpose is to work together to improve services to the public and to bring benefits to both constabularies and commissioners, while remaining independent organisations. The Alliance was officially ratified in September and initial scoping work was completed during 2015/16. A delivery plan is being developed.

Work has continued during 2015/16 to improve management information and reporting in relation to Human Resources. All major policies were reviewed and updated over 2014/15 and 2015/16 including leave and health and safety. Effective workforce planning remains critical to delivering effective policing services within available resources and continues to be developed. The Civil Contingencies department has provided input to better links between strategic and tactical workforce planning including duties management and training requirements.

The management of sickness absence remains a key feature in maintaining numbers of deployable

officers and staff and this is regarded as a priority both for management and the HR Department. Sickness absence levels have remained comparatively high level during 2015/16. In response an Attendance Management Action Plan and Well-Being Strategy are being put in place. A working group has also been established to examine specific aspects of policy of reducing sickness to target levels. Efforts have been made to identify roles which are inherently vulnerable and mandatory consultation and support from the Occupational Health department introduced.

Regular reports on workforce planning, attendance and police staff discipline and grievances are provided to the Chief Officer Group and PCC.

In a period of significant change the maintenance of good relations with staff associations is seen as crucial. To facilitate this there are regular meetings with staff associations and the senior management of the Constabulary to discuss issues and concerns. Both the Police Federation and UNISON are represented on decision making bodies and working groups. Consultation takes place on all proposed changes.

### AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

The Constabulary will complete its update of the financial rules and ensure that these are promoted and training provided.

The Constabulary will continue to develop business plans and strategies for non-operational

## Annex C – Annual Governance Statement

policing functions including production of an overarching People Strategy, which will bring together plans for all aspects of managing its workforce.

The Constabulary will pro-actively implement its Attendance Management Action Plan and Well Being Strategies, with the aim of reducing levels of sickness and protecting the welfare of its workforce.

Develop the delivery plan for the Strategic Alliance with Lancashire Constabulary to improve police services to the public in both counties.

### 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 communicating and promoting the highest standards of integrity in all elements of its business. During 2015/16 work has continued to embed and develop ethical behaviour based on:

- The Constabulary's Corporate Values
- The College of Policing Code of Ethics.
- The NPCC Integrity Action Plan.
- The Constabulary's Anti-Fraud and Corruption Policy and Procedures.

Ethical issues are monitored through the Professional Standards Department Control Strategy, which is reviewed bi-annually and reported to the Deputy Chief Constable.

During 2015/16 an internal audit review of the Code of Ethics was undertaken. This report was graded as providing 'reasonable assurance'. A number of strengths were recognised including

- Senior Management Commitment to the Code
- Reporting to the independent Ethics and Integrity Panel
- Support, advice and guidance to staff including arrangements to re-enforce training.

Three medium priority recommendations were made in the report, which are in the process of being implemented.

In addition, during 2015/16 Her Majesty's Inspectorate of Constabulary conducted a Legitimacy inspection of the Constabulary as part of the force's PEEL Inspection, this covered the conduct and behaviour of the force. The report graded Cumbria as good recognising that 'there is a positive and supportive culture within Cumbria Constabulary that encourages its workforce to behave professionally and ethically.' The report also stated that Cumbria Constabulary understands its communities, treats them with fairness and respect but that improvements are required in relation to elements of best use of 'Stop and Search' 

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 2015 and has identified a shift of risk from financial vulnerability to inappropriate and vulnerable association, which has been reflected in the Department's work-plan. During 2015/16 the Professional Standards Department Anti-Corruption Unit have reported regularly to the Commissioner in relation to its work.

## Annex C – Annual Governance Statement

The Professional Standards Department have continued to issue PASS newsletters and corporate messages during the 2015/16 year to officers and staff in relation to issues of conduct and integrity. The newsletters have provided guidance on generic responsibilities such as:

- Best practice on appropriate use of force
- Safe handling of detainees in custody
- Recording of advice regarding potential vulnerability to corruption linked to financial difficulties.
- Procedures for issuing harassment notices.
- Compliance with National Crime Reporting Standards.

Newsletters have also highlighted specific examples of misconduct which have led to disciplinary action. In addition the Professional Standards Department have begun circulating Independent Police Complaints Commission learning bulletins to officers and staff, providing guidance on topical issues for example armed policing, call handling, custody and information management.

Collectively this is a preventative approach designed to ensure all officers and staff are aware of their responsibilities and potential consequences if their conduct falls below required professional standards.

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. During 2015/16 the number of complaint cases has been relatively stable compared to 2014/15. When compared to

most similar forces, both the level of complaints, expressed per officer and the percentage of those complaints upheld, remain below the national average. However, some increase in complaints categorised as 'direction and control' which relate to systems and processes has been noted. Whilst very few of these complaints have been upheld the rise is linked to changes to a risk based response, which were introduced by the Command and Control Review.

Where trends in relation to complaints or examples of best practice are identified these are circulated force wide via Online News or the PASS newsletters (which are issued by Professional Standards) so that officers can learn from the experience of others in order to improve the service that they provide to members of the public.

During 2015/16, in the interests of openness and transparency, police misconduct hearings are now held in public. Three public misconduct hearings took place in 2015/16. In future, such hearings will be presided over by a legally qualified chair. The outcomes of misconduct hearings are now publicised on the Constabulary website.

The work of the joint, independent Ethics and Integrity Panel, which was established in 2014/15 by the Police and Crime Commissioner and Chief Constable, has become embedded.

The purpose of the Panel is to operate in an advisory capacity to promote high standards of professional ethics in all aspects of policing and to challenge, encourage and support the Chief

## Annex C – Annual Governance Statement

Constable and Commissioner in monitoring and dealing with issues of ethics and integrity within their respective organisations.

The terms of reference and work plan for the Panel have been agreed and include consideration of complaints from the public, the handling of misconduct matters, grievances, compliance with Freedom of Information and Data Protection Acts. These will be monitored through a range of agreed indicators and dip sampling review of specific cases. Whilst the Panel meets in

private, its agendas and reports are considered by the Commissioner's Executive Board and published on the Commissioner's website, to ensure any good practice is recognised and encouraged but any areas for development are identified and appropriate action taken to improve performance.

### AREAS FOR FURTHER DEVELOPMENT

The Constabulary will continue to review and finalise action plans from the Ethics and Integrity Panel, Internal Audit, HMIC and Constabulary.

### 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 including approving significant Change Programme reviews to deliver savings, consideration of the Constabulary budget proposal, development of key governance documents and approving the business strategies that support delivery of police services for the public. In addition, the Chief Officer Group receives regular financial updates which provide a context to resource allocation decisions. All of these decisions have been informed by business cases or reports, which clearly specify the impacts on service delivery, finance, HR, risk, diversity, legal, procurement and ICT and which also clearly justify any expenditure committed. All decisions have been minuted and part 1 decisions made available on the Constabulary's SharePoint system.

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.

Members of the Chief Officer Group have also attended meetings of the Police and Crime Panel to provide context to members of the panel in considering the Commissioner's precept proposal for 2016/17. This included presentations outlining the Constabulary's medium term financial

position, change strategy and value for money comparison with other forces.

In the operational environment, on a monthly basis, 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 Area 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. During 2015/16 this process has been extended to incorporate a force-wide Daily Operational Review Meeting, which ensures that resources are directed to meet strategic priorities.

As part of the Constabulary's work on managing demand and subsequent review of Command and Control the principles of THRIVE (threat, harm, risk, investigative opportunity, vulnerability and engagement) have been introduced within the

## Annex C – Annual Governance Statement

communications room when grading calls for service and deciding whether to deploy officers to incidents.

The Joint Audit and Standards Committee has conducted 5 public meetings during 2015/16. 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, prior to formal decision making by the Chief Constable. This has included providing assurance in respect of the joint Procurement Regulations, the Chief Constable's Code of Corporate Governance, Risk Management Strategy and the Internal Audit Charter. The Commissioner and Chief Constable met jointly with the Committee on the 3rd September 2015 to receive the views of members prior to authorising the Statement of Accounts and 2014/15 Annual Governance Statement 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.

During 2015/16, the Constabulary's risk management arrangements were reviewed to ensure that up to date practices and approaches are reflected in its risk management policy and procedures. As a result, changes have been made to improve wider understanding of the portfolio of risks held in the Constabulary.

An annually developed internal audit plan uses risk as the basis for developing an audit programme. Each audit evaluates the exposure to risk relating to the organisation's governance arrangements and information systems. The audit plan for 2015/16 was approved by the Chief Officer Group in February 2015 and subject to review by the Joint Audit and Standards Committee on the 10th March 2015. The plan substantially increased the number of days of audit work from 180 to 232 as a consequence of widening the scope of audit work in accordance with public sector audit standards.

During 2015/16 all areas subject to audit, with the exception of Duties Management, have received either reasonable or substantial assurance. The Constabulary's arrangements for Duties Management were graded as providing partial assurance and as a result a robust action plan to address the weaknesses identified has been developed and implemented. The Audit and Standards Committee have received quarterly reports monitoring the implementation of audit recommendations.

The Audit Plan provides the basis for the Chief Internal Auditor's overall opinion on the control environment.

### AREAS FOR FURTHER DEVELOPMENT

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.

## Annex C – Annual Governance Statement

A review of the policy management arrangements will be undertaken with a view to streamlining the process, the products and their accessibility.

### Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Constabulary.

#### REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2015/16 the Constabulary received guidance from the National Police Chiefs Council, 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 2015/16 in conjunction with operational leadership teams. In developing the plan there was particular focus on supporting initial police recruitment ensuring that new recruits were equipped with the requisite skills to perform their role. The strategic training collaboration with Lancashire Police greatly supported this objective with collaborative resources being deployed to the training of new recruits.

The training plan was delivered 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 in accommodating the increased level of recruitment in 2015/16.
- Reduced costs.

- Harmonisation of course content based on best practice across the forces.

During the year there has been particular focus on the design of a skills and leadership programme, which, forms part of the Constabulary's business plan and will continue to be developed and implemented in 2015/16. This programme focused 4 main areas

- A Street Skills Programme which developed the appropriate operational and technical skills needed by officers and staff at all levels
- Leadership Modules which has been designed to equip supervisors and managers with the skills to support and develop their staff
- An Executive Leadership Programme which will support the forces senior managers in leading the force through a period of significant change
- The development of an Electronic Learning Hub which provides platform for on-line learning and knowledge transfer.

During 2015/16 the Constabulary has also focused on designing and delivering Case & Custody training in support of the implementation of the new PoliceWorks Case and Custody ICT system. In addition, a revised Management of Serious Crime Investigations Development Programme (MSCIP) has been introduced in partnership with Lancashire and Merseyside Constabularies. This is a national mandated programme for detective inspectors. Sharing this programme with two other

## Annex C – Annual Governance Statement

forces provides great benefits in the sharing of costs, operational expertise and flexible delivery.

The National Police Promotion Framework (NNPF) has been introduced in 2015/16. On the 1<sup>st</sup> April 2015 the Police (Promotions) Regulations 2015 amended the method by which police officers in England and Wales are promoted to the rank of sergeant and inspector. The changes to the process, including the requirement to undertake work based assessments have been embedded.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. Against the self-assessment checklist the committee achieves a consistent grade of 4 or 5 (against a maximum of 5) across all areas. For those functions not included within the checklist, incorporating the wider functions of the committee, there is evidence to demonstrate compliance with CIPFA guidance and elements constituting best practice. The review confirmed that the Committee has during 2015/16 implemented areas identified for development from the 2014/15 review. Further areas for development are identified for 2016/17 to provide continuous improvement. The full report of the Committee can be found on the Commissioner's website at <http://www.cumbria-pcc.gov.uk/governance-transparency/joint-audit-committee.aspx>

### AREAS FOR FURTHER DEVELOPMENT

The core skills and leadership framework and programme plan will continue to be developed

and implemented in 2016/17 including formation of a Leadership Board and roll out of the Talent Management Executive Leadership Programme to sergeant & inspector ranks and police staff equivalents.

Significant training programmes will be delivered in 2016/17 in support of Change Programme reviews, which will fundamentally change the ways in which officers work. Specific training will include the new intelligence system Red Sigma and vulnerability. In addition there is continuing focus on new entrant training for recruits.

During 2016/17 the Constabulary will re-instate a system of professional development review for all officers and staff and implement mandatory continuing professional development.

### 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 Consultation Strategy, which is reported via the Operations Board. 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.

In 2015/16 the Chief Constable and Commissioner have held a number of joint public meetings across Cumbria to listen to the views of local people. Specific communication was undertaken to highlight the potential impact of funding reductions as a result of the CSR and funding formula review, The campaign to protect policing services gained widespread public support.

During the year, the Constabulary consulted with the public to find out their priorities how confident they felt, how they would like to be engaged and their areas of concern. These informed the development of the Constabulary's and Commissioner's plans.

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 95,000 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- a face-book chat to counter child exploitation. The value of the multi-media approach was also highlighted in the widespread flooding in Cumbria in December 2015, where on-line messages were invaluable in keeping communities informed regarding an on-going threat to life and property.

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

## Annex C – Annual Governance Statement

crime by encouraging respect for the law and fostering social responsibility and to determine local priorities.

The Constabulary has Community Engagement Plans. The plans detail how officers within the Neighbourhood Policing Teams (NPTs) will engage with their community, and is specifically grouped around; 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).

During 2015, The Constabulary has reviewed its current arrangements for engagement and further developed its strategy to improve trust and confidence in policing services and to identify policing priorities which need to be addressed in their local area. The revised strategy includes, amongst other initiatives:

- A *Minimum Standard of Engagement* for each area comprising:
  - Engagement and clear communications with schools
  - Attendance at Town Council meetings
  - Having community/partnership meetings
  - Police Desks
  - Use of web and social media
- Support to the *Minimum Standard of Engagement* through a toolkit of options that is used on a needs basis. These are additional types of engagement that NPTs can use to support the prevention and detection of crime and antisocial behaviour, or the individual needs of a community.

- Specific engagement plans for the 15 geographical areas identified across the county, which are available on the intranet for officers and on the website for the public. The plan provides :
  - a benchmark to understand the areas of risk, community tension, vulnerable individuals and groups
  - a reference to the terms of engagement with its communities, based on the minimum standard of engagement and any others from the toolkits
  - include key community contacts
- Each of the 15 areas to have their own Twitter account to maximise operational effectiveness and public safety

The Constabulary carried out a staff engagement exercise, working with academia to assess the wellbeing and culture of the force. The results have been presented very recently and work is ongoing to develop a plan of action to make improvements for officers and staff. The aim is to deliver improvements that support staff wellbeing, performance, training delivery and, ultimately, improve services to the public

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 uses Community Impact Assessments to identify issues that may affect a community's confidence in the ability of the police to respond effectively to their needs, thereby

## Annex C – Annual Governance Statement

enhancing the police response. They are used after or during a critical incident to:

- record the effect the incident had on a community
- identify vulnerable individuals and groups
- provide enhanced investigative assessments and thorough understanding of the incident
- develop community intelligence.

The Constabulary has responded to 867 freedom of Information requests in 2015/16.

The Chief Constable's audited accounts were signed on 3 September 2015 and published alongside the report of the independent auditors (Grant Thornton) on the financial statements. The auditors opinion was that the statements provided a true and fair view of the financial position of the Chief Constable as at 31 March 2015 and that they have been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting. In addition, the auditors commented favourably on the high quality of the accounts and supporting working papers in the context of achieving the new tighter deadline for producing the accounts three years ahead of requirements. The auditors further confirmed in their annual governance report on 3 September 2015 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.

On behalf of the Commissioner, the Constabulary will undertake a survey to find out the public's key policing priorities for the PCC's 2017/18 Police and Crime Plan and the Constabulary's Strategic Assessment.

The Constabulary will work with academia and, using good practice from other organisations, will develop an action plan based on the information from the cultural survey which will be incorporated into the Well-being Strategy.

The Constabulary will review the Independent Advisory Group arrangements at strategic and local level with a view to strengthening their impact.

The Constabulary will improve the Citizens Panel to expand the number of people on and the representation of all types of communities. (The Citizens Panel is a large group of people who have volunteered to be consulted on a range of police issues.)

# Annex C – Annual Governance Statement

## REPORT ON PROGRESS AGAINST THE DEVELOPMENT AND IMPROVEMENT PLAN FOR 2015/16

Area of Governance	Action	Lead Officer	Implementation by
<p><b>Core Principle 1:</b></p> <p><b>Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.</b></p>	<p>Complete its evaluation of the effectiveness of its revised governance arrangements including the board structure, making recommendations for improvement where appropriate.</p> <p>Complete. The main conclusion was the inclusion of two additional meetings in the governance structure, known as the Gold and Tactical Implementation Groups to respond change management requirements in an agile way. (see main body of the report)</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>
	<p>Evaluate the revised performance management arrangements, making recommendations for improvement where appropriate.</p> <p>This work is on-going</p>	<p>Director of Corporate Improvement</p>	<p>September 2016</p>

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 1:</b>  <b>Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.</b>	<p>Review the Constabulary’s public bi-monthly performance management reports, improving the information provided to the public to support transparency and help understanding of policing issues.</p> <p>Complete. The internal management reports have been re-designed and expanded to provide a more comprehensive performance picture of performance for senior management, ensuring that real performance issues are tackled. However, the pictorial representation of performance is not 100% popular and is being reviewed.</p>	Director of Corporate Improvement	Complete
	<p>Write an Annual Report to support the Commissioner’s 2016/17 budget submission to the Police and Crime Panel.</p>	Director of Corporate Improvement	Complete
	<p>Further develop the strategic resource management performance framework to drive improvements in our use of resources and our productivity, including development of a Productivity Strategy. This will complement the Constabulary’s Continuous Improvement, Efficiency and Value for Money Strategy and will ensure that the benefits of significant investment in change and IT are delivered.</p> <p>Partially complete. This work has been impacted by responding to the Police Formula Funding consultation.</p> <ul style="list-style-type: none"> <li>• The Productivity strategy has been developed and implemented.</li> <li>• The strategic resource management framework is under development.</li> </ul> <p>Other actions are on-going, but are subject to prioritisation in light of national and corporate pressures.</p>	Director of Corporate Improvement, CFO, Director of Corporate Support	31 March 2017

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 1:</b>  <b>Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.</b>	Develop a Plan on a Page to help all officers and staff focus on the Constabulary's priorities and support internal communications.  Complete. This was promoted and is available to staff via a range of mediums: noticeboards across the force, handouts at Chief Officer Group Roadshows, accessible via the internet.	Director of Corporate Improvement	Complete
	Develop internal and external communications strategy to support delivery of operational policing and its outcomes, including effective demand reduction activity.  Complete. Completed and being actioned. Part of operational tasking and co-ordination every month to ensure that operational relevance is maintained.	Director of Corporate Improvement	Complete
	Develop an Improvement Action Plan based on all HMIC actions and recommendations to deliver improvements to services and, to publish this plan on its website.  Complete. The action plan is managed through and Operations Board and Business Board.	Director of Corporate Improvement	Complete
	<b>Core Principle 2:</b>  <b>Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.</b>	The Constabulary will complete its update of the financial rules and ensure that these are promoted and training provided.  Partially complete. The update of the financial rules is substantially complete. The rules need to be subject to consultation, formal agreement and training.	Chief Finance Officer

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
<p><b>Core Principle 2:</b> <b>Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.</b></p>	<p>The Constabulary will continue to develop business plans and strategies for non-operational policing functions including production of a Procurement Strategy to ensure that activity is directed to supporting delivery of effective policing services and meet the requirements of the OPCC.</p> <p>Complete. ICT, Estates, Fleet and Procurement Strategies have been completed and agreed by the Chief Officer Group and Commissioner. A wider People Strategy is being drafted and is subject to consultation and agreement in 2016/17.</p>	<p>Director of Corporate Support &amp; Functional Heads of Service.</p>	<p>Complete</p>
	<p>Schemes will be developed to review the contribution of police officers on restricted duties to front line policing in and adjust pay in accordance with Police Regulations introduced from 1 April 2015 to implement the recommendations of the Winsor Review.</p> <p>Complete A new limited duties policy / procedure was devised and approved by Business Board incorporating all features of Police Regulations and related Home Office guidance following the Winsor Review.</p>	<p>Head of HR</p>	<p>Complete</p>

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
<p><b>Core Principle 2:</b> <b>Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.</b></p>	<p>The Constabulary’s current scheme of Performance Development Review (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 during 2015/16, following new Regulations applicable from 1 April 2015. The Constabulary will be developing a more streamlined assessment process for incremental progression for police officers linked to satisfactory performance in the PDR.</p> <p>Not complete. This work has been delayed by on-going dialogue by all forces with the College of Policing to develop a system of PDR, which will achieve the intended outcomes and be practical to implement whilst dovetailing the requirements for continuing professional development, performance review and direct assessment of competence. The Constabulary has committed to introduce PDR for all officers and staff in 2016/17.</p>	Head of HR	30th September 2016.
	<p>Update the National Police Promotion Framework in line with national guidance.</p> <p>Complete. The NPPF has been incorporated into a revised police officer Police Officer Promotion and Development Policy and Procedure which was agreed by the Constabulary’s Business Board in October 2015.</p>	Head of HR	Complete

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 3:</b> <b>Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</b>	<p>The Constabulary will continue to embed the National College of Policing Code of Ethics.</p> <p>Complete. The Code of Ethics is well embedded in the Constabulary, as evidenced by the 2015 HMIC Legitimacy Report grading of good.</p>	<p>Chief Constable, Deputy Chief Constable and Head of PSD</p>	Complete
	<p>The Constabulary will embed its Ethics and Integrity Panel and seek to promote good practice as a result of its recommendations.</p> <p>Complete. The Ethics and Integrity Panel meets quarterly has an agreed work-plan and is providing advice and scrutiny.</p>	<p>Chief Constable, Deputy Chief Constable and Head of PSD</p>	Complete
<b>Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.</b>	<p>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</p> <p>This remains on-going work.</p>	<p>Director of Corporate Improvement</p>	30 June 2016

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
	<p>The Constabulary's risk management arrangements will be reviewed to ensure that up to date practices and approaches are reflected in the risk management policy and procedures.</p> <p>Some report changes have been made to improve wider understanding of the portfolio of Constabulary risks. Internal audit review made no recommendations and gave substantial assurance.</p>	Director of Corporate Improvement	Complete
<b>Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.</b>	<p>Design and Implement a Core Skills and Leadership Programme.</p> <p>The design stage of the Core Skills and Leadership Programme is well advanced, implementation will begin in early 2015/16.</p> <p>Partially complete. The design phase of the Core Skills and Leadership has been completed. Delivery of began in early 2015 and will continue to be delivered in response to emerging needs. The Senior Leadership Programme has begun delivery in conjunction with Lancaster University Business School and will continue in 2016/17.</p>	Director of Corporate Support & Head of Learning & Development.	On-going Update 31 March 2016
	<p>Significant training programmes will be delivered in 2015/16 in support of Change Programme reviews, which will fundamentally change the ways in which officers work. Specific training includes Command &amp; Control, implementation of Mobile Working and the new Case &amp; Custody system.</p> <p>Complete Operational training on the new Case &amp; Custody system and Mobile Working was delivered in 2015/16. Further support will be provided in 2016/17.</p>	Director of Corporate Support & Head of Learning & Development.	Complete

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 6:</b> <b>Engaging with local people and other stakeholders to ensure robust public accountability.</b>	<p>The Constabulary will continue to develop its internet site to enhance accessibility and relevance to the public and media.</p> <p>Complete. The website is operating.</p>	<p>Director of Corporate Improvement</p>	<p>Complete.</p>
	<p>The Constabulary will review its current arrangements for engagement and further 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.</p> <p>Complete. The Engagement Strategy was approved at Operations Board in October.</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 6:</b>  <b>Engaging with local people and other stakeholders to ensure robust public accountability.</b>	<p>On behalf of the Commissioner, the Constabulary will undertake a survey to find out the public's key policing priorities for the PCC's 2016/17 Police and Crime Plan and the Constabulary's Strategic Assessment.</p> <p>Completed and has informed both of these processes.</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>
	<p>The Constabulary will carry out a staff engagement exercise, working with academia to undertake a cultural survey, over a number of years. The aim is to deliver improvements that support, for example, staff wellbeing, performance, training delivery - and ultimately, improve services to the public.</p> <p>Complete. An action plan is being developed in response to the results of the survey.</p>	<p>Director of Corporate Improvement</p>	<p>Complete</p>

## Annex C – Annual Governance Statement

### DEVELOPMENT AND IMPROVEMENT PLAN FOR 2016/17

	Action	Lead Officer	Implementation by
<b>Core Principle 1:</b> <b>Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.</b>	Evaluate the revised performance management arrangements, making recommendations for improvement where appropriate.	Director of Corporate Improvement	30 September 2016
	Work with the new Police and Crime Commissioner to develop performance management arrangements to enable him to hold the Chief Constable to account effectively.	Director of Corporate Improvement	30 June 2016
	Write an Annual Report to support the Commissioner's 2017/18 budget submission to the Police and Crime Panel.	Director of Corporate Improvement	31 January 2017
	Further develop the strategic resource management performance framework to drive improvements in our use of resources, including development of a Resource Management Strategy.	Director of Corporate Improvement	31 May 2016
	Develop a revised Plan on a Page for 2016/17 to help all officers and staff focus on the Constabulary's priorities and support internal communications.	Director of Corporate Improvement	30 April 2016
	Continue to develop the Demand Reduction Strategy	Director of Corporate Improvement	31 March 2017
	Re-introduce a formal performance development and review process in 2016/17 in accordance with College of Policing guidance.	Deputy Chief Constable	30 September 2016
	Develop internal and external communications strategy for 2016/17 to support delivery of operational policing and its outcomes, including effective demand reduction activity.	Director of Corporate Improvement	31 March 2017

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 1:</b> <b>Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.</b>	Develop Business Improvement Plans based on our priorities and all HMIC actions and recommendations to deliver improvements to services and, to publish this plan on our website.	Director of Corporate Improvement	30 April 2016
	Embed the role of the Business Improvement Unit in quality assuring the implementation of action plans.	Director of Corporate Improvement	30 September 2016
	Develop a Management Information Strategy	Director of Corporate Improvement	30 June 2016
<b>Core Principle 2:</b> <b>Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.</b>	The Constabulary will continue to develop business plans and strategies for non-operational policing functions including production of an overarching People Strategy, which will bring together plans for all aspects of managing its workforce.	Director of Corporate Support	31 January 2017
	The Constabulary will complete its update of the financial rules and ensure that these are promoted and training provided	Chief Finance Officer	31 July 2016
	The Constabulary will pro-actively implement its Attendance Management Action Plan and Well Being Strategies with the aim of reducing levels of sickness and protecting the welfare of its workforce.	Head of HR	30 September 2016
	Develop a delivery plan for the Strategic Alliance with Lancashire Constabulary	Director of Corporate Improvement	30 June 2016

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 3:</b> <b>Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</b>	Update and review action plans from the Ethics & Integrity Panel, Internal Audit, HMIC and Constabulary	Head of Professional Standards	31 March 2017
<b>Core Principle 4:</b> <b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.</b>	Continue to update and improve the Constabulary internal internet site.	Director of Corporate Improvement	30 June 2016
	Conduct a review of policy management arrangements.	Director of Corporate Improvement	31 March 2017
<b>Core Principle 5:</b> <b>Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.</b>	Further develop and implement the core skills and leadership framework.	Head of Learning & Development.	On-going 31 March 2017
	Deliver significant training plans linked to Constabulary priorities.	Head of Learning & Development	On-going 31 March 2017
	Develop and re-instate Professional Development Reviews for all officers and staff.	Head of Learning & Development and Head of HR	30 September 2016

## Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
<b>Core Principle 6:</b> <b>Engaging with local people and other stakeholders to ensure robust public accountability.</b>	The Constabulary will continue to develop its internet site further, to enhance accessibility and relevance to the public and media.	Director of Corporate Improvement	31 March 2017
	Undertake a public survey to identify the public's policing priorities to inform the Police and Crime Plan and Constabulary strategic planning.	Director of Corporate Improvement	31 March 2017
	Implement an action plan arising from the cultural survey as part of the Well-being Strategy.	Director of Corporate Improvement	30 June 2016
	Review the Independent Advisory Group	Director of Corporate Improvement	30 June 2016
	Improve the Citizens Panel	Director of Corporate Improvement	31 March 2017



<b>JOINT POLICE &amp; CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT AND STANDARDS COMMITTEE</b>	<b>Paper No.</b>
<b>Meeting date: 28 July 2016</b>	
<b>From: Audit Manager (Cumbria Shared Internal Audit Service)</b>	

## **INTERNAL AUDIT: PROGRESS REPORT TO 30 JUNE 2016**

### **1.0 EXECUTIVE SUMMARY**

1.1 *This report provides a review of the work of Internal Audit for the three months up to 30 June 2016.*

1.2 *Key points are:*

- *Work is progressing as planned. Audits of the 2015/16 annual governance statements for the OPCC and Constabulary are complete. The audit of the Safeguarding Hub, included in the 15/16 plan, is moving forward. Seven audits from the 16/17 plan have been scoped and fieldwork is either underway or will start imminently.*

### **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 2015 impose certain obligations on the PCC and Chief Constable, including a requirement for a review at least once in a year of the effectiveness of their systems of internal control.***

2.4 ***Internal Audit must conform to the Public Sector Internal Audit Standards which require the preparation by the Head of Internal Audit of an annual opinion on the overall systems of governance, risk management and control. Regular reporting to 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 2015 require that the PCC and Chief Constable must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 3.4 Internal audit is responsible for providing independent assurance to the PCC and Chief Constable's senior management and to the Joint Audit and Standards Committee on the systems of governance, risk management and internal control.
- 3.5 It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls are operating effectively.
- 3.6 The internal audit plan for 2016/17 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 three months of 2016/17. It reports progress on the delivery of the 2016/17 audit plan in the period and includes a summary of the outcomes of audit reviews completed in the period.

### **Status of internal audit work as at 30 June 2016**

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2016/17 audit plan. Further detail on this is included at Appendix 2.

<b>Audit plan year</b>	<b>Audit Status</b>	<b>Number of reviews</b>
2016/17	<u>Audits completed:</u>	<u>2</u>
	Risk based audits	0
	Governance work	2
	<u>Audits in progress:</u>	<u>8</u>

	Risk based audits	6*
	Follow up	2
	<u>Audits to be started</u>	<b><u>10</u></b>
	Risk based audits	6
	Financial systems	3
	Follow up	1
	<u>Audits in plan</u>	<b><u>20*</u></b>

\*Includes Safeguarding hub (work in progress from 15/16)

### **Outcomes from Final Audit Reports to 30 June**

3.8 Internal Audit reviewed the 2015/16 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.

3.9 The detailed outcomes from each finalised audit are shown in Appendix A.

### **Draft Reports Issued to 30 June**

3.10 There are no reports at draft stage at 30 June.

**Emma Toyne**  
**Audit Manager**  
 11th July 2016

### **APPENDICES**

***Appendix 1: Final reports issued to 30 June 2016***  
***Appendix 2: Progress on all risk based audits from the 2016/17 plan***  
***Appendix 3: Internal audit performance measures to 30 June 2016***

Contact: Emma Toyne, 01228 226261, [emma.toyne@cumbria.gov.uk](mailto:emma.toyne@cumbria.gov.uk)

## Appendix 1 – Final reports issued to 30 June 2016

Assignments	Main Points	Assessment	Current Status
Annual report 15/16	Presented to Joint Audit and Standards Committee 3 May 2016.	N/A	Complete
Annual Governance Statement 15/16 PCC	Presented to Joint Audit and Standards Committee 3 May 2016.	N/A	Complete
Annual Governance Statement 15/16 Constabulary	Presented to Joint Audit and Standards Committee 3 May 2016.	N/A	Complete

## Appendix 2 – Progress on 2016/17 Audit Plan

OPCC / Constabulary Review	Audit	Stage	Feedback form returned
Constabulary	Safeguarding Hub (work in progress from 2015/16 Internal Audit plan)	Fieldwork underway. Some delays have been encountered due to staffing changes within Children's Services.	n/a
OPCC and Constabulary	Procurement	Fieldwork underway	n/a
Constabulary	Information Security	Not started	n/a
Constabulary	Mobile and Digital	Fieldwork underway	n/a
Constabulary	Command and Control	Fieldwork underway	n/a
Constabulary	Criminal Justice Unit	Work scoped	n/a
Constabulary	Use of Stop Sticks (stingers)	Not started	n/a
Constabulary	Stop Search	Work scoped	n/a
Constabulary	Offender Management	Not started	n/a
Constabulary	Receipt, handing and disposal of drugs	Not started	n/a
Constabulary	Self-service – travel expenses / overtime	Not started	n/a
OPCC and Constabulary	Governance – Code of Corporate Governance	Not started	n/a
OPCC and Constabulary	Pensions	Not started	n/a
OPCC and Constabulary	Payroll	Not started	n/a

## Appendix 2 – Progress on 2016/17 Audit Plan

<b>OPCC / Constabulary Review</b>	<b>Audit</b>	<b>Stage</b>	<b>Feedback form returned</b>
OPCC and Constabulary	Main accounting	Not started	n/a
OPCC	Follow up – Business Continuity Planning	Fieldwork underway	n/a
Constabulary	Follow up – Business Continuity Planning	Fieldwork underway	n/a
Constabulary	Follow up - Duty Management System	Not started	n/a
Constabulary	Annual Governance Statement 2015/16	Complete	n/a
OPCC	Annual Governance Statement 2015/16	Complete	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)	10%	The plan is progressing as intended.
	Number of planned days delivered	274	-	Not available due to implementation of a new audit management system. Figures to be reported at a future meeting.  Fieldwork is underway for all audits scheduled in quarter 1. Scoping meetings held for some work to be carried out in quarter 2.
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	N/A	
Timeliness of final reports	% of final reports issued for Chief Officer / Director comments within five working days of management response or closeout meeting.	90%	N/A	

### Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Recommendations agreed	% of recommendations accepted by management	95%	N/A	
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	N/A	
Quality assurance checks completed	% of QA checks completed	100%	N/A	
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	N/A	
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	-	Not available due to implementation of a new audit management system. Figures to be reported at a future meeting.

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# Monitoring Key Audit Recommendations

## Introduction

This report is designed to monitor the implementation of recommendations and actions arising from Audit and Inspection.

If fulfills the assurance responsibilities of the Audit and Standards Committee with regards to the implementation of control recommendations and best practice arising from Audit and Inspection work.

## Report Summary

Summary of Actions	PCC	CC	Joint	Total
Open actions b/fwd from last report	0	5	0	4
New actions since last report	1	19	0	20
<b>Total actions this report</b>	<b>1</b>	<b>24</b>	<b>0</b>	<b>25</b>
Actions completed since last report	1	20	0	21
<b>Open actions c/fwd to next report</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>

Summary of Total Actions by Status	PCC	CC	Joint	Total
 Completed	1	19	0	20
 Ongoing	0	4	0	4
 timescale exceeded	0	0	0	0
 not yet due	0	1	0	1
<b>Total</b>	<b>1</b>	<b>24</b>	<b>0</b>	<b>25</b>

**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.

<b>New Grade/Priority</b>		<b>Previous Grade/Priority</b>	
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***

<b>Grade/Priority</b>	
<b>High</b>	Significant effect on control system
<b>Medium</b>	Effect on control system
<b>Low</b>	Best practice

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R2 Governance arrangements for the Duty Management System should be defined and clearly communicated to those involved.	High	Superintendent, Operational Support Mark Pannone	We will define governance arrangements for the Duty Management system and will communicate these arrangements accordingly.  November 2015 - Ownership of DMS rests with HR with operational management under the resource co-ordination team. Development and maintenance of DMS through Head of HR and DMS Strategy Group.  February 2016 - Ownership of DMS rests with the Human Resources Department with operational management under the Force Resourcing Cell. Development and maintenance of the Duty Management System is through the Head of Human Resources. This has been confirmed by the Head of Human Resources. ACTION – Documentation detailing the ownership will be made available to all relevant staff via SharePoint.  June 2016 - The Constabulary intranet site now includes information regarding the Origin HR system and the DMS module.	31/12/2015	☺
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015	Shared Internal Audit Service	R7 a) The blank option should be removed from the drop down list during the overtime input stage OR	Medium	Inspector Lee Skelton	We will set option b in place as an interim until option a is achieved. -  DMO's will be the only employees able to action this until option a is implemented.  November 2015 a) ICT Request has been submitted to have the blank field removed. The implications of this are currently being investigated within the ICT department. b) Part of the new procedures of inputting overtime is to ensure that the only persons permitted to put on overtime are DMO's. c) Discoverer report to identify duties where the choice of PAY or TIME has not been selected is being developed. d) Staff have been instructed not to amend any duties for overtime, this should be done through DMO's.  February 2016 a) An ICT request was submitted to have this field removed however Capita have stated that this is not possible. b) The Constabulary process has been amended to ensure that only Resource Coordinators should enter overtime on DMS. All supervisors have been updated by email to this effect. (See Recommendation 9 below) c) An audit report now takes place through finance highlighting those reports on a month by month basis that do not have a PAY or TIME shown against them. The result of this report is actioned by Resource Coordinators to rectify any discrepancies. However as yet this does not cover all entries only those subsequently claimed for PAY on iTrent. ACTION - A request has been submitted to extend the current audit to identify all records when neither PAY or TIME have been selected on DMS.  June 2016 - The blank option can not be removed. However audits are carried out on this field and corrective action is taken.  Instructions have been issued so that only DMOs can put overtime on the system. However, the system would not prevent any others from updating their records. An audit trail within the system records when this occurs. The field in the system is not one which can be reported on at the moment but work is ongoing to try to resolve this.	31/07/2016	☺
Safeguarding IT Assets (CC)	13/01/2016	13/01/2016	09/03/2016	Shared Internal Audit Service	R1 Responsibility for keeping up to date with emerging legislation relating to IT equipment should be clearly defined.	Medium	DCI Professional Standards Furzana Nazir	The role profile for the records and information security manager will be updated.  February 2016 - There is currently uncertainty regarding this audit recommendation, clarification is being sought from the shared internal audit team. Members will be updated at the meeting.	TBC	☺
Safeguarding IT Assets (CC)	13/01/2016	13/01/2016	09/03/2016	Shared Internal Audit Service	R3 A mechanism should be put in place to ensure that all newly purchased equipment is added to the MSCSM database on a timely basis	Medium	Director of Corporate Support Stephen Kirkpatrick  Head of ICT Jason Corbishley	We will make endeavour to update the database with new assets received as soon as practically possible following delivery.  February 2016 - Work is still under way and processes are currently being re-developed.  May 2016 Update - ICT have confirmed that as a result of the auditor's report improved ICT processes are now in place to cover recommendations 2 and 3, a process map has been produced to document the new procedure.	31/12/2015	☺

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
Data Protection & Freedom of Information Requests (CC)	18/01/2016	19/01/2016	09/03/2016	Shared Internal Audit Service	R1 The roles and responsibilities of the new supervisor post will need to be clearly defined, reflected in procedures and incorporated into a staff performance review process.	Medium	DCI Professional Standards Furzana Nazir  Force Disclosure Manager David Cherry	The supervisor post has been agreed by Finance and ACPO. A job profile is being prepared which will outline the roles and responsibilities  February 2016 - David Cherry to meet with Kerry Rogerson, HR to complete draft role profile, with a view to this being completed prior to the proposed target date of 31st March  June 2016 - The post was recruited to in June and the successful applicant will take up the role in early July. A formal 5 and 15 week performance review process has been implemented for all police officers and staff.	31/03/2016	☀
Code of Ethics (CC)	18/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R1 Arrangements should be in place for management to be assured that all staff receive mandatory training on the Code of Ethics.	Medium	Chief Superintendent TP  Sean Robinson	We will identify those who haven't received the mandatory Code of Ethics training and ensure it is delivered to those individuals through line management briefings. This will be documented as part of the 15 week review.  June 2016 - A paper regarding training in relation to Code of Ethics is being prepared and will be presented to Business Board on 1 August 2016.	31/07/2016	☀
Code of Ethics (CC)	18/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R2 There should be a designated senior manager lead for ethical behaviour within the constabulary, and the role and responsibilities should be formally defined.	Medium	Chief Superintendent TP  Sean Robinson	The Head of PSD (Chief Superintendent of Territorial Policing) is the designated lead for ethical behaviour within the Constabulary.	Already Actioned	☀
Code of Ethics (CC)	18/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R3 Arrangements should be in place to give management assurance that performance is being managed and that standards of professional and ethical behaviour are included as part of this process.	Medium	Chief Superintendent TP  Sean Robinson	We will include Code of Ethics in the 15 week reviews and embed it in supervisory reviews for all staff.  June 2016 - A paper regarding training in relation to Code of Ethics is being prepared and will be presented to Business Board on 1 August 2016.	31/07/2016	☀
Surrendered & Seized Firearms (CC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R2 Management arrangements to ensure that firearms recovery procedures are up to date, incorporate all aspects of firearms handling and are kept under regular review should be established.	Medium	Firearms Inspector  Paul Telford	Reference to the Policy & Procedures to be added to the Firearms Awareness Course lesson plan and covered in training, and a link sent to attendees as pre-read material in the course Joining Instructions. Changes to processes to be communicated to all staff via Force Orders as standard.  June 2016 - Lesson plan, Powerpoint presentation and course Joining Instructions amended as above. Communication to follow adoption of new policy on 14/07/16.	30/04/2016	☀
Surrendered & Seized Firearms (CC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R3 Management should ensure that staff involved in handling firearms are aware of the Firearms Recovery Policy and supporting procedures and how to access them.	Medium	Firearms Inspector  Paul Telford	Firearms Recovery Policy and associated procedures documents to be reviewed, updated and consolidated, to include detail on security, retention and disposal of firearms, ammunition, black powder (gun powder), fireworks and flares. See also Recommendation 6.  June 2016 - Re-worked Firearms & Pyrotechnics Recovery Policy and two supporting procedures documents dealing with conventional firearms and fireworks, flares & gunpowder respectively going to Operations Programme Board on 14/07/16 for sign-off.	30/04/2016	☀
Surrendered & Seized Firearms (CC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R4 Arrangements for the initial receipting of surrendered firearms and ammunition should be considered in order to further strengthen the arrangements in place.	Medium	Firearms Inspector  Paul Telford	Consider issuing Property Receipts to all persons surrendering firearms and ammunition. This conflicts with current Enquiry Office practice where no receipt is given for other property taken – audit of Property Handling 2013 and Audit follow-up in Feb 2016 did not raise this as an issue.  June 2016 - ACC has directed a process for issuing receipt. Requirement added to re-worked policy and procedures documents. Form F22 amended and now self-carbonating with copy for person surrendering.	30/04/2016	☀
Surrendered & Seized Firearms (CC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R5 Arrangements should be in place to assure management that firearms and ammunition records are complete and accurate.	Medium	Firearms Inspector  Paul Telford	Regular scheduled and formal supervisory audit of each Seized Firearms Store and transit Cabinet against newly operating electronic Firearms Property Register and local paper Armoury Register. Suggest quarterly audit by Inspector, Firearms Operations Unit, reporting to OS Mgt meeting or directly to Supt, OS.  June 2016 - First round of visit/dip-sampling conducted in April, next due in July 2016.	30/04/2016	☀

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
Surrendered & Seized Firearms (CC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R6 Management should define their requirements regarding arrangements for seized and surrendered firearms and ammunition that cannot be returned to lawful owners. Arrangements should be approved and incorporated into the Firearms Recovery Policy.	Medium	Firearms Inspector Paul Telford	Formalise current practice and include in existing Policy and Procedures documents. See also Recommendation 3.  June 2016 - Required detail incorporated into reviewed procedures documents underpinning Firearms & Pyrotechnics Recovery Policy.	30/04/2016	
Main Financial Systems - Pensions (CC)	22/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R1 Management should document their requirements regarding the data quality checks to be undertaken on data provided to the new contractor and calculations performed by the contractor. These checks should be communicated to staff and arrangements should be in place to give assurance to management that the required checks are undertaken.	Medium	Head of Central Services Ann Dobinson	All payroll officers have received full training in what to check with regard to the pension and lump sum data supplied to the contractor. One member of staff undertakes the calculations and completes the form, this is then passed to another trained member of staff which checks the calculations are correct and places a tick against all areas checked. The form is then signed as being checked and submitted to the Contractor for payment. The retained copy of the form evidences the checks completed and shows the signature of the person performing the checks. This provides management with the necessary assurance.  The pension administration contractor is changing in April 2016. There will therefore be new processes and procedures to adopt. These new processes and procedures will be fully documented and staff will received appropriate training.  June 2016 - Training was provided to all Employee Services Admin Officers and Assistants on 10th June 2016 regarding process changes and what is expected of them with regard to form completion. Further detailed training on forms has been scheduled for all ES Admin Officers on the 25th July 2016, this training will be provided by Kier (the pensions provider).	April/May 2016	
Main Financial System - Creditors (CC)	22/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R1 Once the Central Services Department review is finalised arrangements should be made to review and update accounts payable procedures and ensure the following :- • Staff are made aware of new / updated procedures and where to access them with training provided where necessary. • Procedures are dated or version controlled. • Only the latest versions of procedures should be available for staff to follow. • Procedures are kept under regular review.	Medium	Head of Central Services Ann Dobinson	Current processes are being reviewed by the Change Team as part of the Admin Review (Phase 1). CSD management are working closely with the Change team to review, amend and implement new streamlined processes and procedures. New agreed processes will be documented and staff will be provided with full training as necessary. All new procedures will be version controlled, held easily accessible and regularly reviewed.  June 2016 - Work on the process review is ongoing with regard to some process. A more detailed review of the procure to pay process is being undertaken by the Change Team with meetings planned for July and August 2016.	May - September 2016	
Main Financial System - Creditors (CC)	22/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R2 Arrangements should be in place for all Central Services Department staff to receive formal, structured feedback regarding their performance on a regular basis.	Medium	Head of Central Services Ann Dobinson	The force is in the process of implementing a full staff appraisal system. All Central Services staff will be included in this new system and will be subject to annual performance appraisals.  CSD management monitor individual performance on an ongoing basis; performance both good and bad is feedback to individuals. Where poor performance is identified, this is addressed, advice and training given. Should poor performance persist then this would be addressed through Capability procedures  June 2016 - All CSD staff now receive informal & formal 5 & 15 weekly review meetings. They will also receive formal PDR's once the	As soon as the appraisal system is available	

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Status
Main Financial System - Creditors (CC)	22/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R3 Arrangements for deactivating suppliers should be defined, agreed, communicated and monitored.	Medium	Head of Procurement  Les Hopcroft	It has been agreed that an annual exercise will be carried out in January/February each year to review and deactivate any supplier where there has been no transactional activity for 15 months or more.  June 2016 Update - The first annual exercise was carried out in April 2016 with approx. 1,000 suppliers being removed from the supplier database. An annual exercise has been scheduled for completion from January/February 2017.	13/04/2016	⚙️
Property Handling Follow Up (CC)	20/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R1 The Standard Operating Procedures for the Seizure, Management, Retention and Disposal of Personal Property should include the process to be followed by Officers and Staff when issuing a TORT letter.	Medium	Superintendent South TPA  Rob O'Connor	Accepted - There is work ongoing in relation to this action, with liaison ongoing with legal about the content of the TORT letter, this will then be added to the SOP and publicised to staff. To be completed within 3 months (end July 2016).  June 2016 - The TORT letters have been modified and agreed with the Legal department, these are now ready to be added to the SOP. There is also a process map for officers and staff to follow in relation the TORT process. A TORT process checklist has been developed for Front office staff to follow with regards to disposal, this will also be added to the SOP. The SOP and other documents are now awaiting upload onto the intranet, this is expected to be completed by 31 July 2016.	31/07/2016	⚙️
Property Handling Follow Up (CC)	20/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R2 Management should give consideration to the current arrangements over access to the property store and the logging of items received from the laboratory and HTCUC.	Medium	Superintendent South TPA  Rob O'Connor	Accepted - Progress has been made in relation to this recommendation, but there is still work ongoing. In terms of access to property stores (security), this is in place in South TPA(Barrow), but needs to be reviewed and similar processes implemented in North and West NPTs. The issues relating to the HTCUC property are ongoing and then need to be implemented and incorporated in the SOP. To be completed and implemented within 3 Months (End July 2016).  June 2016 - Access to property stores is as follows:  - North (Carlisle) - PAC / FOB access and only front office staff and supervisor have access to these.  - West (Workington) - the stores are accessible via key and key code, only front office staff and supervisor have the code and the keys are located within the front office (locked away once the front office is closed). There is discussion ongoing around West having a new property store, and as part of that plan PAC / FOB access will be requested.  - South (Barrow) - PAC / FOB and only front office staff and supervisor have access. There is a significant amount of ongoing building work at Kendal, and this includes moving the property store from the top to the ground floor. This new store will be controlled by key and key code, with only the front counter staff and supervisor having access similar to Workington.  Property being sent to HTCUC- The process map has been completed and the new process will be implemented within the next few weeks. An issues has been raised around exhibits booked on Locard and being sent to HTCUC as HTCUC do not have the access to update Locard for continuity purpose, this is being discussed. Process map to be added to SOP and new process implemented by end of July 2016.	31/07/2016	⚙️
Property Handling Follow Up (CC)	20/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R3 The documented procedure for the Ex Gratia payment process for misplaced property should clearly set out the complete process including the need for OIC reports. The updated procedure should be approved and included in the SOPs.	Medium	Superintendent South TPA  Rob O'Connor	Accepted - Ongoing but needs adding to the SOP. To be completed within 2 Months (End June 2016).  June 2016 - Process map for Making Ex-gratia payments has been developed, currently in place however, additional action added that any claims for lost / destroyed property are to be sent to TPA Superintendent for comment. Process map updated to be added to SOP.	30/06/2016	⚙️
Review of Annual Governance Statement (AGS) (PCC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R1 Management should ensure that the figure reported in the AGS can be supported and that any discrepancies with other published figures are clearly understood.	Medium	Chief Executive  Stuart Edwards	The figures quoted in the AGS and ICV annual report have been accurately recorded and are produced and recorded in those documents by the Governance Manager with responsibility for the ICV scheme. In all areas of the AGS the responsible manager directly manages and inputs their annual data to the report. The Annual Report is produced by the communications team and a transposition error resulted in a wrong figure being input in the draft Annual Report. Arrangements for producing the Annual Report from 2016-17 will include a check of the figures in the report for accuracy.  June 2016 Update - Action implemented as set out above.	With Immediate Effect	⚙️
Review of Annual Governance Statement (AGS) (CC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R1 Areas for development identified through the AGS should be updated and an action plan prepared for 2016/17.	Medium	CC Chief Finance Officer  Roger Marshall	The draft Annual Governance Statement provided to the Joint Audit and Standards Committee includes an update on the 2015-16 and 2016-17 areas for development.  June 2016 Update - The Constabulary AGS was updated following the JASC Meeting on 3/5/16 and amendments circulated to JASC members for approval. The AGS was subsequently approved by the Chief Constable prior to being included as an annex to the Statement of Accounts for 2015/16 which were authorised for issue on 23/05/2016.	Immediate	⚙️
Review of Annual Governance Statement (AGS) (CC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R2 Areas identified on the AGS as requiring update should be updated.	Medium				⚙️

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update February 2016 - Update Required	Target Date	Status
Review of Annual Governance Statement (AGS) (CC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R3 Management should be assured that the Annual Governance Statement correctly reflects the arrangements for staff to receive one to ones as they are operating in practice.	Medium	The Head of Human Resources Andrew Taylor	The Constabulary operates a process of formal performance review in relation to officers. It is, however, recognised that PDR for police staff was suspended pending guidance from the College of Policing. The AGS states the Constabulary's commitment to re-introduce PDR for all officers and staff during 2016-17. A more detailed update will be provided at the JASC meeting in May.  June 2016 - A plan is now in place to reintroduce PDR for all officers and staff during the remainder of 2016/17. Previously delayed national guidance on relationship between police officer pay and performance recently available and an electronic means of recording	30/09/2016	
Review of Annual Governance Statement (AGS) (CC)	25/04/2016	N/A	03/05/2016	Shared Internal Audit Service	R4 The productivity strategy and well-being strategy should be finalised and approved.	Medium	The Head of Human Resources Andrew Taylor	The Attendance Management Action Plan and Well Being Strategy were considered by the Constabulary's Business Board in April and will be circulated for consultation and formal approval. Many of the actions in both documents have already been implemented. We will amend the wording of the AGS if required.  June 2016 - The Constabulary has developed and continues to implement meaningful strategies and plans for both well - being and attendance. Formal approval has been obtained, with consultation through working groups. There is some evidence that the approaches advocated in strategies and plans are showing positive results and these will continue to be developed, monitored and improved as progress is made.	30/06/2016	

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# Joint Audit & Standards Committee

## Title: OPCC Risk Management Monitoring

**Date:** July 2016

**Agenda Item No:** 12 (i)

**Originating Officer:** Stuart Edwards

**CC:**

### **Executive Summary:**

The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. This takes place in a constantly changing and challenging environment and the OPCC must ensure that it has robust systems and processes in place to monitor and react appropriately to risk.

### **Recommendation:**

That, the committee notes the changes regarding the OPCC's strategic risk register, the oversight undertaken of the Constabulary's risk management; and the front sheet of the OPCC's operational risk register.

## **1. Introduction & Background**

1.1 The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. To enable it to carry out this function effectively it must monitor and react appropriately to risks. The Joint Audit and Standards Committee as part of their role, ensures that the OPCC is actively managing strategic risks and one member of the committee has been appointed as the lead member for risk.

## **2. Issues for Consideration**

2.1 Appended to this report at [Appendix 1](#) is the OPCC's strategic risk register which has been reviewed and updated since the last meeting of the Committee. There is one identified risk which is:

- Strategic Finance

- 2.2 The OPCC has also reviewed its operational risk register, rationalising it to appropriately reflect the operational risks it faces. The front sheet of the operational risk register is presented to the Committee to provide assurance that other areas of risk are being considered and regularly monitored. A copy of the front sheet is attached at [Appendix 2](#).
- 2.3 The Governance and Business Services Manager met with the Constabulary's lead for Risk Management, the Director of Corporate Improvement Ms Jane Sauntson, on Tuesday 12 July. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.
- 2.4 Discussions took place in relation to the two separate risk registers, the risks identified therein and any risks which may impact upon the other organisation which may need to be recorded within the relevant strategic risk register if it does not already appear.
- 2.5 The Constabulary will report further on their strategic risk register at the meeting. A new risk had been added to their register in relation to proposed building of new nuclear facilities on the West Coast of Cumbria and what this could mean for local policing services. Remaining on their register were risks relating to the Funding Formula, Emergency Services Network, the Constabulary's Change Programme and retaining Public Confidence.
- 2.6 The one risk which affected both organisations related to future Funding Formulas. Although cuts to policing budgets in 2015 had not been as severe as originally thought, this would not continue to be the case in future years. This would need to be considered in the future when setting budgets and developing future police and crime plans.

### **3. Implications**

- 3.1 Financial - the inability of the OPCC to successfully identify and manage its organisational and strategic risks could impact financially on not only the OPCC but Cumbria Constabulary and other partner organisations which are financially dependent.
- 3.2 Legal - the OPCC could face legal challenge on some areas of its business, therefore it is essential that these are identified at an early stage and effectively mitigated and managed.
- 3.3 Risk - if the OPCC does not identify and mitigate risks then it may mean that the OPCC cannot carry out its statutory function efficiently and effectively.

## OFFICE OF THE POLICE & CRIME COMMISSIONER – STRATEGIC RISK REGISTER

Risk Mitigation Strategies:	
<b>Avoid</b>	Stop the risk completely or stop it having an impact.
<b>Reduce</b>	Reduce the likelihood and/or impact of the risk
<b>Transfer</b>	Outsource, use contractors or insure against things going wrong
<b>Accept</b>	The risk is tolerable/accepted

Risk Score		Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

		Risk Owner		Actions		Reviews	
Risk No.	Risk Title	Total Score	Risk Owner	Action Owner	Any outstanding actions YES/NO	Date for actions to be completed	Date of next review
R1	Strategic Finance	12	Chief Executive	Chief Finance Officer	No		Sept 2016

Scores:

8 – 16	Review within 3 months
4 - 6	Review within 6 months
3 or less	Review within 12 months

<b>Risk No:</b> R1	<b>Risk Title:</b> <b>STRATEGIC FINANCE</b>	The Police and Crime Commissioner is required to set a balanced budget. Resources from central Government formula grant provide the significant majority of funding to deliver police services. Reductions in that funding will have a substantial impact on the level of policing that can be provided and on the potential to deliver the Commissioner's wider responsibilities.
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Risk Mitigation Strategies:	
<b>Avoid</b>	Stop the risk completely or stop it having an impact.
<b>Reduce</b>	Reduce the likelihood and/or impact of the risk
<b>Transfer</b>	Outsource, use contractors or insure against things going wrong
<b>Accept</b>	The risk is tolerable/accepted

Risk Score		Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

What is the cause of the risk? (Lack of .....failure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions				
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date
Lack of resources within the medium term budget to provide sufficient funding for the Constabulary to deliver current levels of policing service. High levels of funding uncertainty are impacting on this risk from 2017/18 (expected implementation date for the new formula)	This risk may lead to a reduction in the level of police services and/or result in Cumbria Constabulary not being viable as an independent force. Alternative options for delivering a police service in Cumbria may have to be considered. This may impact on the extent to which services respond to local needs in Cumbria. During the period of change there may be reductions in public assurance/confidence.	4	4	16	3	4	12	Chief Executive (Reduce)	Work continues to model the potential financial impact ensuring the change team develop proposals for the full potential range of income reductions. The constabulary is implementing a scalable model of policing. Work is on-going to establish a minimum funding requirement. The Constabulary and OPCC have responded to the government funding consultation and made representations regarding the impact of current proposals.	Budget monitoring processes and internal controls ensure that financial commitments do not exceed planned expenditure. The financial control environment is tested annually by internal and external audit. HMIC Peel inspections and external auditors review overall financial resilience and the track record of delivering savings.	Work is being undertaken to develop a potential future operating model for policing in Cumbria  The Commissioner and Chief Constable will fully engage in the on-going process for formula review	Chief Finance Officer	Sept 2016

## OFFICE OF THE POLICE & CRIME COMMISSIONER – OPERATIONAL RISK REGISTER

Risk Mitigation Strategies:	
<b>Avoid</b>	Stop the risk completely or stop it having an impact.
<b>Reduce</b>	Reduce the likelihood and/or impact of the risk
<b>Transfer</b>	Outsource, use contractors or insure against things going wrong
<b>Accept</b>	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

8 – 16	Review within 3 months
4 - 6	Review within 6 months
3 or less	Review within 12 months

			Risk Owner		Actions		Reviews
Risk No.	Risk Title	Total Score	Risk Owner	Action Owner	Any outstanding actions YES/NO	Date for actions to be completed	Date of review
<b>FINANCE</b>							
01	Budget Management	6	Chief Finance Officer	Deputy CFO	No		Nov 16
02	Investment Counterparty Risk	3	Chief Finance Officer	Deputy CFO	No		Nov 16
03	Financial Governance	2	Chief Finance Officer	Deputy CFO	No		Nov 16
04	Shared Services	2	Chief Executive	Deputy Chief Executive	No		Nov 16
05	Asset Management	2	Chief Executive	Chief Finance Officer	No		Nov 16
06	Insurance	4	Chief Executive	Chief Finance Officer	No		Nov 16
<b>PARTNERSHIPS &amp; COMMISSIONING</b>							
07	Performance / delivery of the police and crime plan	4	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		May 16
08	Partnerships & Collaboration	6	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		May 16
09	Commissioning of Services	6	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No		May 16
<b>COMMUNICATION AND BUSINESS SERVICES</b>							
10	Reputation	8	Head of Communications & Business Services	Engagement Officer	No		Nov 16
11	Public Engagement / Consultation	4	Head of Communications & Business Services	Engagement Officer	No		Nov 16
12	Complaints	4	Head of Communications & Business Services	Governance Manager	Yes	Awaiting legislation	Nov 16
13	Diversity	3	Head of Communications & Business Services	Governance Manager	No		Nov 16
14	Independent Custody Visiting Scheme & Animal Welfare Scheme	4	Head of Communications & Business Services	Governance Manager	No		Nov 16
<b>CHIEF EXECUTIVE / MONITORING OFFICER</b>							
15	Non-Financial Governance	2	Chief Executive	Head of Communications & Business Services	No		Nov 16
16	PCC Elections 2016 / Transition	2	Chief Executive	Head of Communications & Business Services	No		
17	Efficient and Effective Policing	6	Chief Executive	Chief Executive	No		Nov 16

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## Joint Audit and Standards Committee

Agenda Item 12 ii

**TITLE OF REPORT:**

Constabulary Quarterly Risk Management Update

**DATE OF MEETING:**

7<sup>th</sup> July 2016

**ORIGINATING OFFICER:**

Strategic Development, Corporate Improvement

**PART 1 or PART 2 PAPER:**

PART 1 (OPEN)

**Executive Summary:**

The purpose of this paper is to provide the Joint Audit and Standards Committee with the May 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 was last updated and approved at Chief Officer Group on 9<sup>th</sup> May 2016. The next quarterly update is due in August 2016.

**Recommendations:**
**That the Audit and Standards Committee:**

1. Note the Constabulary's current strategic risks, and that a quarterly review of all risk registers was completed in accordance with the Risk Management policy in May 2016.
2. Note new risk no 27 which was approved by COG on 9<sup>th</sup> May 2016.

## 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. Best practice indicates that the number should be between 5 and 10.

The Chief Constable in his 'Annual Statement of Corporate Governance' determines the strategic direction for the Constabulary which is 'Keeping Cumbria Safe'. The Constabulary's key objectives are:

- Engaging with communities and working with partners.
- Preventing crime, road casualties and ASB.
- Managing offenders.
- Managing calls for service.
- Protecting vulnerable people and communities.
- Investigating crime, caring for victims and bringing offenders to justice.
- 

The strategic risks identified by the Constabulary are concerned with:

1. Failure to deliver required change.
2. The impact of change on Constabulary performance.
3. Reduced public confidence and engagement.
4. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme.
5. The implications of longer-term reduction in budget and the level of savings required.
6. Lack of capacity to address future demand and the range of potential operational threats. (New)

The table on page 3 outlines the Constabulary's six strategic risks and provides the RAG rating (Red, Amber, and Green) for each risk (**RAG risk rating = impact x likelihood**). It also indicates which Constabulary objectives the risks link to.

**Strategic Risk Register**

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
26	The Chief Constable & Chief Financial Officers	<p>As a result of the potential changes to police funding formula, and the removal of dampening funding, there will be a detrimental and significant impact on the available budget and a requirement for substantially increased savings. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.</p> <p>If this risk occurs, the Constabulary may have to focus on responsive reactive policing and maintaining public protection functions, but reducing investigative capacity to focus on serious crime only; any volume crime where there is no public safety risk will only be investigated if there is spare capacity.</p>	Very High	Very High	25	25	All	Scenario planning for worst case savings. Marketing and Communications involvement. Robust challenge re achievability of the required savings to Government.

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
25	The Chief Constable and Head of ICT	The Constabulary may be unable to fulfil its key strategic objectives because the new Emergency Services Network has potential to breach the Constabulary's risk capacity and appetite in terms of cost and acceptable levels of service provision. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.	Very High	Very High	25	25	All	<p>Established links with the Home Office to conduct preliminary identification and analysis of risk involved.</p> <p>The introduction of an ICT led Project team to conduct a more thorough identification and analysis of risks and to provide suitable risk response actions.</p> <p>Potential costs included in capital forecasts.</p> <p>Financial information rec'd which indicates that £6m over 10 years will be provided to Cumbria for the delivery of ESN / ESMCP. This will be part of the core grant so business case etc. may still be required for governance purposes.</p> <p>Meeting held 19th May to discuss further with key individuals. User groups have been created to ensure effective officer and staff engagement throughout the project.</p> <p>The constabulary is working in partnership with other forces and emergency services to deliver ESMCP together as a region.</p> <p>It is expected that the new system will go live in late 2017.</p>
27	Supt Gary Slater (West Cumbria)	The Constabulary may have no capacity to address future demand and the range of potential operational threats (such as environmental protest),	High	Medium	16	12	All	<p>The NuGen proposal is to build 3 new nuclear reactors. The company have completed stage one of their consultation and are now in the more detailed phase.</p>

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
		caused by the significant economic development of controversial nuclear and associated industries (especially along the West Coast). This could potentially result in a possible major/critical incident, compromising public safety, a loss of public confidence and a severe impact on the Constabulary's reputation.						The potential impact on the Constabulary has been accounted for in the BIG6 and a professional lead has been allocated to the activity.
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.	High	Medium	10	12	All	Dedicated resources have been allocated to the Change Programme and the Change Strategy has been developed, including contingency plan Financial budgeting and forecasting, including comprehensive MTFE completed and reviewed quarterly. Workforce plan developed. Mobile & Digital Steering Group established to deliver systems to improve productivity. ICT workload prioritised quarterly via FSDB. Resourcing of Change and Business Plans has been completed. Revised governance arrangements have been implemented to improve strategic oversight and delivery. Dedicated planning day held on 29 January 2016 to schedule all the complex and interdependent change across the Constabulary with plan for delivery. Appointment of chief superintendent to deliver change in the operational organisation, coordinating business change. Revised ICT Strategy approved in January 2016.

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
								Revised Change Strategy approved in Nov 2015 which includes capacity building. Recruitment to full establishment is complete. Additional resource into Change and ICT following planning days.
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	20	8	All	<p>The Change Programme coordinates all change activities and manages risk at programme level and review level.</p> <p>There are robust governance arrangements in place for the Change Programme strategies. There is a comprehensive Communications Strategy for the Change Programme.</p> <p>Unison and the Federation are fully engaged in the change management processes.</p> <p>Effectiveness of Dec 2014 Performance Development Conferences has been evaluated and actions have been completed.</p> <p>A revised communications strategy has been developed to improve awareness and engagement, internally and externally.</p> <p>The Constabulary is driving forward the national well-being agenda, following attendance at a conference facilitated by the University of Central Lancashire. The Constabulary has developed a local strategy to support officers and staff, including notification of access to services.</p> <p>Plan on a Page for 2016/17 and the associated BIG6 strategies, with supporting business improvement strategies have been approved.</p> <p>The Delivering Excellence Strategy has been approved. Delivered Plan on a Page.</p>

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
								<p>The Business Improvement Unit is up and running, focusing on Quality Counts, and carrying out reality checks.</p> <p>May PDCs have been held, best practice and actions have been incorporated into a plan which was sent out to senior management on 20th May 2016. The actions will be reviewed as part of the next round of PDCs in 4 months' time.</p>
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	9	6	All	<p>Action Plan from HMIC Fear or Favour Police Integrity Inspection 2012 and 2013, including roll out of the integrity Model.</p> <p>Comprehensive policy framework including confidential reporting line and whistleblowing. Regularly reviewed and updated.</p> <p>Training and awareness as a direct result of specific incidents that have happened in the force.</p> <p>Significant proactive comprehensive communication and media strategies for specific cases, involving use of Gold groups led by chief officers.</p> <p>Ethical audits – business interests and internet usage.</p> <p>User satisfaction, including treatment by officers and staff, as part of performance framework and processes.</p> <p>Quarterly reports to PCC on all professional standard issues and complaints.</p> <p>PCC audit through dip sampling of complaints cases.</p> <p>HMIC Integrity Inspection 2014 recommendations have been implemented.</p> <p>CoP Code of Ethics has been rolled out and incorporated into individual and organisational</p>

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
								<p>performance meetings. Feedback from the HMIC Effectiveness and Legitimacy Inspection in November 2015 said the Constabulary has well embedded the Code of Practice and the National Decision Model across the organisation. There is a PSD control strategy in place which is reviewed every 6 months.</p> <p>A revised communications strategy has been developed to improve awareness and engagement. Development of transparency arrangements with public.</p> <p>Well Being Strategy approved by COG in May 2016. Ongoing scrutiny by independent Ethics Panel and actions</p>

**Risk Tolerance Levels**

<p><b><u>Risk Score 1-4</u></b></p> <p>Acceptable. No action is required but continue monitoring.</p>	<p><b><u>Risk Score 5-12</u></b></p> <p>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.</p>	<p><b><u>Risk Score 15-25</u></b></p> <p>Unacceptable. Urgent attention is required. Investigate and take steps to mitigate or avoid within a specified short term.</p>
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Changes identified at COG on 9<sup>th</sup> May 2016 include:

Risk 11 – the residual risk score is now 8.

Risk 27 – Audit and Standards committee were made aware of this emerging risk in November 2015. It has now been fully developed, scored and added to the Constabulary's strategic risk register.

## 1.2 Drivers for Change

Effective risk management is a key component of effective corporate governance. Managing risk will contribute towards delivery of the strategic priorities. There are potential significant consequences from not managing risk effectively.

Robust risk management will help improve decision-making and drive corporate activity that represents value for money.

Effective risk management will help protect the reputation of the Constabulary and the Office of the Police and Crime Commissioner, safeguard against financial loss and minimise service disruption.

## 1.3 Consultation processes conducted or which needs to be conducted

Individual risk owners have been consulted as part of the standard risk management arrangements. COG reviewed and approved the strategic risk register on 9th May 2016.

## 1.4 Impact assessments and implications on services delivered

Not applicable- described in the risk register where appropriate.

## 1.5 Timescales for decision required

Not applicable to this report.

## 1.6 Internal or external communications required

None.

## 2. Financial Implications and Comments

Any financial implications are described in the relevant risks outlined within this report.

## 3. Legal Implications and Comments

Any legal implications are described in the relevant risks outlined within this report.

#### 4. Risk Implications

The Constabulary's risks are described in section one of this report.

#### 5. HR / Equality Implications and Comments

Any HR / Equality implications are described in the relevant risks outlined within this report.

#### 6. ICT Implications and Comments

Any ICT implications are described in the relevant risks outlined within this report.

#### 7. Procurement Implications and Comments

Any procurement implications are described in the relevant risks outlined within this report.

#### 8. Supplementary Information

9.1 List any relevant documents and attach to report

<b>Appendix 1</b>	Risk Scoring Matrix
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9.2 List persons consulted during the preparation of report

- All Departmental Risk Owners.
- Territorial Policing and Crime Command Risk Owners.
- Extended Chief Officer Group.

**Risk Scoring Matrix**

Impact Score	Description					
		IMPACT ON SERVICE PROVISION	FINANCIAL IMPACT	IMPACT ON PEOPLE	DURATION OF IMPACT	IMPACT ON REPUTATION
5	Very High	Unable to function, inability to fulfil obligations	Severe financial loss > £3M	Multiple fatalities	In excess of 2 years	Highly damaging, severe loss of public confidence or being declared a failing Force
4	High	Significant impact on service provision	Major financial loss £1M to £3M	Fatality	Between 1 year - 2 years	National publicity, major loss of confidence or serious IPCC complaint upheld
3	Medium	Service provision is disrupted	Significant financial loss £500k to £1M	Serious injury, RIDDOR reportable	Between six months to 1 year	Some adverse local publicity, legal implications, some loss of confidence
2	Low	Slight impact on service provision	Moderate financial loss £100k to £500k	Slight medical treatment required	2 to 6 months	Some public embarrassment, or more than 1 complaint
1	Very Low	Insignificant impact, no service disruption	Insignificant financial loss < £100k	First Aid treatment only No obvious harm/injury	Minimal - up to 2 months to recover	No interest to the press, internal only

Likelihood Score	Tolerance Levels – Likelihood Assessment	
5	Very High	A risk has a very high score if there is a 90% or more chance of it happening every year. This means that it is almost certain to happen regularly.
4	High	A risk has a high score if there is a 65% to 90% likelihood of it happening at some point over the next 3 years. Basically, it probably will happen but it won't be too often.
3	Medium	A risk has a medium score if the likelihood of it happening is between 20% and 65% over the next 10 years. This means it may happen occasionally.
2	Low	A risk has a low score if the likelihood of it happening is between 5% and 25% at some point in the next 25years. 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