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Our reference: DC

Date: 11 June 2015

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 **Tuesday 23rd June 2015** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **11:45**.

S Edwards
Chief Executive

Note: Members are advised that allocated car parking for the meeting is available in the Visitors Car Park to the left of the main Headquarters building.

Please note – there will be a corporate update on HMIC reports at 11am followed by a private meeting between the members 11:15 – 11:40.

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 6 May 2015 (copy enclosed)

5. ACTION SHEET

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

6. UPDATED JASC WORK PROGRAMME

To receive an updated Work Programme, members to note (copy enclosed)

7. ANNUAL STATEMENT OF ACCOUNTS

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

- (i) PCC Statement of Accounts
- (ii) PCC Summary Statement of Accounts
- (iii) CC Statement of Accounts
- (iv) CC Summary Statement of Accounts

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

To receive an updated summary of actions implemented in response to audit and inspection recommendations (copy enclosed)

9. INTERNAL AUDIT – ANNUAL REPORT 2014/15 (FINAL)

To receive the Head on Internal Audit's Annual Report including the Annual Audit opinion (copy enclosed)

10. INTERNAL AUDIT REPORTS

To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee (copy enclosed)

- (i) OPCC Business Continuity Planning
- (ii) CC Business Continuity Planning

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

- (i) Debtors
- (ii) Budget Management

11. INTERNAL AUDIT – PROGRESS REPORT TO MAY 2015

To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan for 2015/16 (copy enclosed)

12. ETHICS AND INTEGRITY GOVERNANCE

To receive an annual report from the Chair of the Ethics and Integrity Panel, advising the Committee of the work of the Panel over the previous year and matters pertaining to governance in respect of the arrangements for ethics and integrity (copy enclosed)

13. STRATEGIC RISK REGISTER

- (i) To consider the OPCC risk register as part of the Risk Management Strategy
- (ii) To consider the CC risk register as part of the Risk Management Strategy

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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 Wednesday 6th May 2015 in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 1.30 pm

PRESENT

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

Also present:

Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Emma Toyne)
Engagement Lead, Grant Thornton (Fiona Blatcher)
Assistant Chief Constable (Michelle Skeer)
Constabulary Chief Finance Officer (Roger Marshall)
Commissioner's Chief Finance Officer (Ruth Hunter)
Deputy Chief Finance Officer (Michelle Bellis)
Governance and Business Services Manager (Joanne Head)
Financial Services Assistant (Dawn Cowperthwaite)

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

Fiona Daley introduced herself as the new chair and welcomed Fiona Moore as a new member. She gave a brief overview of what she saw as the responsibilities of the committee and how she thought these responsibilities could best be met.

157. APOLOGIES FOR ABSENCE

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

158. 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.



159. DISCLOSURE OF PERSONAL INTERESTS

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

160. MINUTES OF MEETING

The minutes of the meeting held on 10 March 2015 had been circulated with the agenda. The minutes were first reviewed for factual accuracy and approved by the committee.

Matters arising from the minutes

Minute 147 – Regarding the low number of Internal Audit Feedback forms received to date – The Deputy Chief Finance Officer sent an email to chase the relevant managers and received an additional 5 completed forms.

Minute 149 – Discussions have been undertaken between the CFO's and the members and agreement has been reached that an annual audit is not required from an Internal Audit perspective. The Commissioners CFO advised that CFO assurance was being considered in relation to financial systems. Questionnaires had gone out to managers responsible for individual systems. They confirmed that they had confidence in management assurance in areas such as debtors (small monetary value) and Treasury Management (where they were aware of a rigid control framework). There were concerns in areas such as Payroll and Pensions due mainly to staff turnover and regularly changing statutory regulations. The original cyclical audit put in place was a three year cycle for all financial systems. This may need to be reviewed in light of the reviewing returned management questionnaires with internal audit.

The chair asked what the timescale was for the completion of this work. The Commissioners Chief Finance Officers advised that this would be looked at once the Statement of Accounts were completed at the end of May with a mind to feeding back to the committee at the June meeting.

Minute 151 – A member asked why there would be an underlying need to borrow in the future. The Deputy Chief Finance Officer advised that funding for the capital program was currently coming from reserves but in the future there would be a need to fund the capital scheme through borrowing.

RESOLVED, that, the minutes of the meeting held on 10 March 2015 be approved.

161. EXTERNAL AUDIT FEES

The Engagement Lead presented the audit fees and payment schedule letters for both the Commissioner and the Constabulary. They advised that the fees had been set by the Audit Commission prior to 31 March 2015 and see a reduction from the 2014/15 level.



A member asked if this would be a fixed fee going forward. The Engagement Lead advised that the fee wasn't fixed but that if Grant Thornton wanted to change it they would have to justify to the Audit Commissions successor why they wanted it to be changed. The chair commented that they were happy with the fees as a committee and asked if the CFO's had any comments, they didn't.

RESOLVED, that, the (i) reports be noted

162. OPCC RISK MANAGEMENT MONITORING

The Governance and Business Services Manager presented the annual report detailing the monitoring of Risk Management within the OPCC. They advised that risk management is embedded within the organisation and is monitored in a number of ways, including the committee receiving the Strategic Risk Register on a quarterly basis.

Risk Management was undertaken by all OPCC staff in March, following on from this a further session has been organised for the executive team to review the Risk Registers. A session on corporate objectives has also been arranged for all OPCC staff. The Governance and Business Services Manager is the OPCC lead for risk and has over-site of the Constabulary's register with a quarterly meeting with the Director of Corporate Support.

A member asked if there was a document setting out the OPCC's corporate objectives. The Governance and Business Services Manager advised that they didn't at present. For the benefit of the new member it was clarified that Jack Jones was the lead for risk on the committee. The chair asked if this was a statutory report that the committee needed to see. The Commissioners CFO advised that the request for a report on risk management monitoring arose from the committees Terms of Reference. The chair wondered if the report was necessary in its current format or if another format may be more appropriate.

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

163. OPCC ANTI FRAUD AND CORRUPTION

The Governance and Business Services Manager presented reports relating to Anti-Fraud and Corruption, advising that the first report showed what the OPCC has in place to monitor activity and the second dealt with the arrangement for Anti-Fraud and Corruption. They gave an outline of the reports and advised that the Ethics and Integrity panel was now in place and had held their first meeting in March and that they would have responsibility for Gifts and Hospitality.

A member asked if the two reports could be divorced as they felt that the members may not need to see the arrangements annually but that it would be useful to receive the statistics annually. Another member asked if the whistleblowing policy consultation had been



completed, the Governance and Business Services Manager advised that it had and that it had been signed off by the Commissioner.

The Governance and Business Services Manager advised the committee that the arrangements were broadly the same as last year but had been updated with most of the amendments bring highlighted on page 16. A member highlighted several typos and advised that they would send the corrections/suggestions through after the meeting

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

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

The Governance and Business Services Manager presented an annual report on the monitoring and effectiveness of the PCC/Officer protocol and code of conduct to give assurance for the 2014/15 financial year. For 2015/16 the responsibility for this will move to the Ethics and Integrity panel.

RESOLVED, that, the report be noted.

Note – 2:40pm - The Governance and Business Services Manager left the meeting at this point

165. INTERNAL AUDIT – ANNUAL REPORT 2014/15

The Audit Manager presented the annual report which summarised the outcomes of the work of internal audit and includes the Head of Internal Audit's opinion on the effectiveness of the PCC's and Constabulary's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The key points are given below:

- A total of 13 audit reviews had been completed, representing 76% of planned audit work.
- Due to earlier timescales for reporting the annual report contains a draft audit opinion which will be monitored and reviewed pending completion of four pieces of work currently underway
- Overall levels of assurance are considered to be high with 100% of reports concluding as least a reasonable level of assurance.

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 stated that they had concerns that only 76% of the planned audit work had been completed to date. The Audit Manager advised that all work had now been completed but due to the earlier reporting deadline they had not been able to be included in the annual report as completed at the date of issue.

Another member commented that the figure of 86% customer satisfaction in the feedback forms could be misleading and would benefit from a notation of how many forms had been returned.

RESOLVED, that, the report be noted.

166. REVIEW OF EFFECTIVENESS OF THE ARRANGEMENTS FOR AUDIT 2014/15

The Commissioners CFO introduced the annual report into how effective Internal Audit were when reviewed against PSIAS, having looked at the programme of audits throughout the year. They stated that their opinion was that the organisation does have effective arrangements in terms of Internal Audit, but that the report was to gauge whether the committee were assured.

A member stated that the report was thorough and answered all of the questions. They highlighted in section 3.3 that the name 'Joint Audit and Assurance Committee' had been used and that this did not give confidence that this the report was written for the members but rather for the Shared Service.

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

167. ANNUAL REPORT OF THE JOINT AUDIT AND STANDARDS COMMITTEE 2014/15

The Commissioners CFO presented the draft annual report of the Joint Audit and Standards Committee for 2014/15. They advised that this report was first developed last year following on from new guidance published by the Chartered Institute of Public Finance and Accounting (CIPFA). They took the approach to look at the CIPFA guidance and draw out the work that the committee had completed/looked at and mark them against the guidance. The report was presented in draft to provide members with the opportunity to make changes and feed in any amendments prior to it being finalised.

Last year the members had discussed trying to reduce the volume of the report, due to Statement of Account deadline being brought forward for the 2014/15 accounts this has not been possible this year but there has been meetings between the chair and the Commissioners CFO to discuss how the report may be amended for next year.

A member commented that they would welcome the report being separated into the assessment and a non-technical report. They also felt that there should be some reference to



the role of the last chair as they had been the first incumbent. There were several amendments identified by the members.

- Members asked for inclusion within the section on external audit of the annual private meeting with the external auditors
- Wording to be added to the final bullet point on page 22 to clarify that this is a reference to the appointment of external auditors
- First bullet point on page 10 should read 'rationale behind approval **and delegation of** decisions for the capital programme'
- Members asked that the report included reference to their review of reserves

The chair felt that the committee had matured over the last year and that the scores for sections two and four should be amended to scores of five. After discussion it was decided that the score in section four would be elevated whilst further work would be completed on section two throughout the year.

The Commissioners CFO confirmed that the above amendments would be made. It was further agreed that the report would be separated into the annual assessment, for the purposes of the CFO opinion and an annual report that would be developed by the Chair.

A member asked if it would be possible for a programme of induction training to be put in place for the members. The Commissioners CFO advised that it would be useful for the members to consider this and give specific examples. It would then be possible to source specific officers to meet with members to give clarification and train on specific points.

RESOLVED, that, the report be noted.
 that, the chair will review the foreword and executive summary
 that, consideration be given to introducing induction training for members

168. TREASURY MANAGEMENT ACTIVITY JANUARY TO MARCH 2015 AND ANNUAL REPORT 2015

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 2014/15. They highlighted the following key statistics in relation to Treasury Management.

- Investment Income for the year was £155k, an increase of 29% on budget
- 230 individual investments made in the year, with a peak of £36m
- Appendix shows the outstanding balance of investments at year end
- The Commissioner was debt free at the year end

A member asked if the betterment on investment income had been budgeted into 2015/16. The Deputy Chief Finance Officer advised that the increase in income was due to having a larger sum to invest, mainly due to the profile of payments for the Barrow New Build. This was not anticipated to continue into next year.



RESOLVED, that, the report be noted;

Note – 3:30pm - The Deputy Chief Constable left the meeting at this point

169. ANNUAL GOVERNANCE STATEMENT – OPCC

The Annual Governance Statement (AGS) suite of papers were considered together and relevant commentary and questions made.

The Audit Manager presented the Internal Audit report of the AGS for the OPCC. This report summarises the findings from the audit of the OPCC's Annual Governance Statement for 2014/15. This was a planned audit assignment which was undertaken in accordance with the 2014/15 Audit Plan.

There was one recommendation made in the report, dealing with the length of the AGS, it was felt that the report loses some of its impact due to the report being too long.

The Commissioners CFO advised that they accepted the principle of having a shorter AGS in terms of accessibility. The impact of this would however be on the contributions made by staff. The current process, whilst resulting in a lengthier document, facilitated a more robust engagement with staff within the team and provided a mechanism through which their achievements could be recognised. This was felt to be a benefit that could be lost if the document was substantially reformatted. Also, in practice, the readers of the document are very limited and the examples of best practice given by CIPFA in the guidance tended to be lengthier publications. It may be possible to produce a summary document of around six pages but this needs further review. The Chief Constables CFO agreed stating that if something is worth saying it should be included in the report.

A member asked what the view of External Audit was. The Engagement Lead commented that these did tend to be weighty as they are key documents and there didn't seem to be much superfluous content in the OPCC's statement.

Another member stated that the detail in the AGS was all relevant but that they were surprised to see it as part of the AGS document as they would have expected to see it as part of an annual report, generated against the objectives within the Police and Crime Plan and asked if there was such a document. The Commissioners CFO advised that they did produce an annual report but that this was a short document and that the AGS format was taken from the CIPFA guidance.

The chair commented that if it was the opinion of the CFO and External Audit that there is value to the size of the AGS they would like to see this documented within the report. As Internal Audit have made a recommendation there should be some form of official response from the OPCC.



The members identified the following errors on the last page of the Code of Corporate Governance.

- The Joint Audit & Standards Committee should be moved from the Accountability Framework section to the Advisory Framework section
- The Public Contract Regulations 2006 were updated in 2015, the item should be updated to reflect this

RESOLVED, that, the report be received and accepted.
that, consideration be given to the production of a summary AGS

170. ANNUAL GOVERNANCE STATEMENT – CONSTABULARY

The Annual Governance Statement (AGS) suite of papers were considered together and relevant commentary and questions made.

The Chief Constables CFO advised that although their suite of papers were broadly similar to those of the OPCC they did reflect the significant differences between the organisations.

The chair asked whether the committee would receive an update report during the year on the 'Progress Against Development and Implementation Plan', the Chief Constables CFO confirmed that a report would be given to the committee.

RESOLVED, that, the report be received and accepted.
that, consideration be given to the production of a summary AGS

Meeting ended at 16.05 pm

Signed: _____

Date: _____

Joint Audit & Standards Committee – Action Sheet

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
DATE OF MEETING: 10th March 2015					
142	Speak to SE regarding refresher training for members on risk management	Ruth Hunter	June 2015	Update training was provided by Jane Sauntson & Julie Johnston on 6/5/15	
143	Work Programme to be amended to reflect the fact that all ad hoc reports (not just HMIC) would come to the committee	Dawn Cowperthwaite	June 2015	Work programme updated 7/5/15	
146	A revised deadline column to be added to the audit monitoring report so members can more easily track if/when deadlines have been revised	Michelle Bellis	June 2015	New column added for revised target dates, will be included in report for 23 June 2015 meeting.	
146	Absence Management recommendation to be completed and removed from report as 'consideration' had been given	Michelle Bellis	June 2015	Recommendation removed from report	
146	OPCC to be added to the name of the audit report in action number 10	Michelle Bellis	June 2015	All audit report names now include either OPCC or CC in brackets to show who the auditee was.	
147	To put together a form of words to be sent out with the internal audit customer feedback forms	Ruth Hunter	June 2015	The deputy CFO has issued reminders regarding the feedback forms and these have now been substantially returned. IA performance data will show the number of returns.	
155	Consideration to be given to changing the wording of 'mitigated' and 'unmitigated' on the risk register	Joanne Head	June 2015		
DATE OF MEETING: 6th May 2015					
160	Review of audit cycle in light of returned management questionnaires	Ruth Hunter	June 2015	This work will be undertaken in June – a verbal update will be provided at the June JASC meeting.	
162	Consideration to be given to the format of the RM Monitoring report (Fiona Daley) update for next year	Joanne Head	June 2016		
163	Corrections to be made to typo's in document – Fiona Moore to advise of specifics - update for next year	Joanne Head	June 2016		
163	Consideration to be given to whether the report could be split as members do not need to see the arrangements annual but feel they would benefit from seeing the stats	Joanne Head	June 2016		

166	Amendment to 3.3 – Should read Joint Audit & Standards Committee NOT Joint Audit & Assurance Committee	Ruth Hunter	June 2015	Report amended.	
166	Further work to be undertaken by CFO's to ensure assurance levels are where they need to be	Ruth Hunter Roger Marshall	Sept 2015		
167	Various amendments to JASC report, as recorded in minutes	Ruth Hunter	June 2015	Report amended.	
167	Review of Foreword and Executive Summary	Fiona Daley	September 2015		
167	Members to consider possible areas for induction training	Members	December 2015		
169	Consideration to be given to producing a short summary AGS	Ruth Hunter	March 2016		
169	Notation to be included in the AGS as an official response to the Internal Audit Recommendation	Ruth Hunter	June 2015	The AGS has been amended to explain the length of the document and clarify that there has been no significant governance issues arising. The management response to the audit report confirms that consideration will be given to the length of the AGS.	
169	Amendments to be made to the Code of Corporate Governance as highlighted in minute 169	Ruth Hunter	June 2015	Code amended.	
170	Consideration to be given to producing a short summary AGS	Roger Marshall	March 2016		

Joint Audit & Standards Proposed Annual Work Programme 2015/16

6 May 2015	23 June 2015	3 September 2015	8 December 2015	March 2016
<p>PRIVATE DEVELOPMENT SESSION: Constabulary risk management/change programme</p> <p>PRIVATE CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee</p> <p>EXTERNAL AUDIT FEES: To receive from the external auditors the proposal in respect of audit fees.</p> <p>RISK MANAGEMENT MONITORING: To receive an annual report from the Chief Executive on Risk Management Activity including the Commissioner's arrangements for holding the CC to account for Constabulary Risk Management. (CE or GM)</p> <p>ANTI-FRAUD AND CORRUPTION ACTIVITIES: To receive an annual report from the Chief Executive on activity in line with the arrangements for anti-fraud and corruption. (CE or GM)</p> <p>MONITORING AND EFFECTIVENESS OF THE PCC/OFFICER PROTOCOL AND THE CODE OF CONDUCT: To receive an annual report from the Chief Executive with regard to the</p>	<p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee</p> <p>ANNUAL STATEMENT OF ACCOUNTS: To receive the un-audited Statement of Accounts for the Commissioner and Chief Constable and Group Accounts and consider a copy of a summarised non-statutory version of the accounts (PCCCFO & CCCFO)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS: To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CCCFO)</p> <p>ETHICS AND INTEGRITY GOVERNANCE: To receive an annual report from the Chair of the</p>	<p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee</p> <p>PRIVATE INTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the Internal Auditors.</p> <p>PRIVATE EXTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the external auditors.</p> <p>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.</p> <p>ASSURANCE FRAMEWORK STATEMENT OF ACCOUNTS: To receive a report from the PCCCFO/Chief Executive in respect of the PCC's framework of assurance; To receive a report from the Deputy Chief Constable/CC in respect of the CC's framework of assurance. (PCCCFO or CE)</p> <p>ANNUAL STATEMENT OF ACCOUNTS: To receive the audited Statement of Accounts for the</p>	<p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee</p> <p>ANNUAL AUDIT LETTER: To receive from the External Auditors the Annual Audit Letter and reports.</p> <p>ANNUAL REVIEW OF GOVERNANCE: To review the COPCC and Constabulary arrangements for governance; cyclical review over a three years. (Relevant Chief Officers)</p> <p>ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE: To receive an update on progress against the development and improvement plan within the annual governance statement.</p> <p>HMIC REPORTS: To receive an annual report on the HMIC Value for Money Profile and arrangements for securing value for money & HMIC value for Money inspection reports. (CE or GM)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p>	<p>PRIVATE DEVELOPMENT SESSION: Medium Term Financial Forecast/change programme</p> <p>PRIVATE CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee</p> <p>ANNUAL WORK PROGRAMME: ASSURANCE FORMAT: To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference.</p> <p>EXTERNAL AUDIT PLAN: To receive from the external auditors the Annual External Audit Plan.</p> <p>JOINT AUDIT AND STANDARDS COMMITTEE UPDATE: To receive from the external auditors an update report in respect of progress on the external audit plan</p> <p>TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES: To review the annual Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices. (DCFO)</p>

<p>operation and effectiveness of the PCC/Officer Protocol and Code of Conduct 2015 only (CE or GM)</p> <p>INTERNAL AUDIT –ANNUAL REPORT: To receive the Head of Internal Audit’s Annual Report including the Annual Audit Opinion.</p> <p>EFFECTIVENESS OF INTERNAL AUDIT: To receive a report from the PCC Chief Finance Officer in respect of the effectiveness of internal audit. (PCCCFO)</p> <p>ANNUAL REPORT OF THE AUDIT AND STANDARDS COMMITTEE: To receive a report reviewing the activities of the Committee as a contribution to the effectiveness of arrangements for governance.</p> <p>TREASURY MANAGEMENT ANNUAL REPORT/ACTIVITIES: To receive for information the treasury management annual report and an update on Treasury Management Activity for Jan – Mar. (DCFO)</p> <p>ANNUAL GOVERNANCE STATEMENT</p> <ul style="list-style-type: none"> ▪ Report of the Internal Auditor: Annual Governance Statement: To consider a report from the Internal Auditor reviewing the Annual Governance Statement for the financial year and to the date of this meeting PCCCFO & CCCFO) ▪ Effectiveness of Governance 	<p>Ethics and Integrity Panel, advising the Committee of the work of the Panel over the previous year and matters pertaining to governance in respect of the arrangements for ethics and integrity. (CE or GM, 2015 only, from 2016 to be presented in May to replace item on PCC/Officer Protocol/Code of Conduct)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee’s terms of reference</p>	<p>Commissioner and Chief Constable and Group Accounts and consider a copy of a summarised non-statutory version of the accounts (PCCCFO & CCCFO)</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS: To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CCCFO)</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling</p>	<p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS: To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CCCFO)</p> <p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee’s terms of reference</p>	<p>TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity (DCFO)</p> <p>PROPOSED INTERNAL AUDIT PLAN/ INTERNAL AUDIT CHARTER: To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions. To receive a copy of the internal audit charter from the Internal Auditors.</p> <p>INTERNAL AUDIT – PROGRES REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.</p> <p>INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee</p> <p>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS: To receive an updated summary of actions implemented in response to audit and inspection recommendations. (CCCFO)</p> <p>RISK MANAGEMENT STRATEGY: To provide the annual review of the COPCC and Constabulary Risk Management Strategies. (CE or GM)</p>
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<p>Arrangements: To receive a report from the PCCCFO/PCC Chief Executive on the effectiveness of the PCC's arrangements for Governance/ To receive a report from the CCCFO on the effectiveness of the CC's arrangements for governance</p> <ul style="list-style-type: none"> ■ Code of Corporate Governance: To consider the PCC/CC Code of Corporate Governance ■ Annual Governance Statement: To consider the PCC/CC Annual Governance Statement for the financial year and to the date of this meeting <p>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference</p>		<p>within the remit of the Committee's terms of reference</p>		<p>STRATEGIC RISK REGISTER: To consider the COPCC and Constabulary strategic risk register as part of the Risk Management Strategy. (CE or GM & DCC)</p> <p>ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference</p>
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FUTURE DEVELOPMENT SESSIONS

The Committee will undertake a private development session in September 2016 on the incoming Commissioner's Police and Crime Plan as part of the 2016-17 work programme

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Cumbria Office of the Police and Crime Commissioner

Agenda Item 7

Annual Statement of Accounts 2014-15

Report to the Joint Audit and Standards Committee 23rd June 2015

Report of the Chief Finance Officer

1. Introduction

- 1.1 The Accounts and Audit Regulations 2015 place a requirement on the Police and Crime Commissioner from the financial year beginning 2017, to publish audited financial statements by 31st July. The period for the exercise of public rights for the publication of the un-audited financial statements within the regulations must include the first 10 working days of June. This effectively means that the annual statement of accounts need to be prepared for audit by the end of May compared to the current requirement of the end of June.
- 1.2 In preparation for the earlier financial reporting timetable, the 2014-15 statement of accounts have been prepared based on a timetable that aimed to achieve sign off and publication of the un-audited financial statements by 31st May. This timetable also aimed to facilitate the presentation of the pre-audit financial statements to the Joint Audit and Standards Committee at the annual June meeting.

2. Report

- 2.1 This agenda item presents members with the 2014-15 pre-audit statement of accounts for the Police and Crime Commissioner. The accounts were signed by the Chief Finance Officer on 28th May 2015 and have been published on the Police and Crime Commissioner's website pending publication of press notices. The presentation of the un-audited statements provides an opportunity for members to provide early feedback on the quality of financial reporting.
- 2.2 In addition to achieving an earlier closedown timetable, a number of changes have been made to the presentation of the financial statements with the aim to continuing to improve their accessibility. The significant changes are:
 - A continuation of 'de-cluttering' that has resulted in some notes to the financial statements being

reduced or removed on the basis of materiality. Further to this a separate technical annexe has been introduced that separates the most complex and in-accessible elements of the financial statements from the main notes. These changes have reduced the notes to the statements from 60 pages in 2013-14 to 38 pages in 2014-15.

- The note to the comprehensive income and expenditure account has been moved to the section on the core financial statements, to enable the reader to better access a description of the key elements within the expenditure statement
- The summary statement of accounts have been re-written with a view to explaining the financial statements whilst removing, wherever possible, references to technical and accounting terms
- The note on reserves has been re-presented to better show the movement and explain the different reserves that are held by the Commissioner.

2.3 Whilst these changes aim to assist the reader in understanding the overall financial position of the Commissioner, the statements of accounts continue to be a very complex and technical document. Members will continue to receive the audited statement of accounts at their meeting in September, accompanied by the annual assurance report, and annotated for the changes that are made during the audit process. This will be accompanied by the Audit Findings Report of the external auditors, which alongside the annual assurance report, will provide members with the wider framework of assurance on which reliance can be placed, prior to providing any advice or recommendations to the Police and Crime Commissioner.

3. Recommendations

3.1 Members are asked to receive the pre-audit financial statements for 2014-15 and to determine whether there are any matters on which they wish to provide feedback prior to receipt of the audited statements at their meeting 3rd September 2015

Ruth Hunter

Commissioner's Chief Finance Officer/Deputy Chief Executive

04 June 2015

Human Rights Implications: None Identified

Race Equality / Diversity Implications: None Identified

Personnel Implications: None Identified

Financial Implications: The statement of accounts show the income and expenditure for the financial year and the value of the Commissioner's assets and liabilities at the date of the balance sheet. There are no specific financial implications arising from this report.

Risk Management Implications: The statement of accounts include the Commissioner's annual governance statement which sets out the governance reviews undertaken during the year and conclude on the overall arrangements for governance, risk and internal control.

Contact points for additional information

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Police and Crime Commissioner for Cumbria

Statement of Accounts | 2014/15



This draft Statement of Accounts was approved by the PCC Chief Finance Officer on 28 May 2015. At this point the Grant Thornton UK LLP 'appointed auditor' has not yet completed her annual audit and as such has not given an opinion on the accounts. The accounts are therefore watermarked 'subject to audit'. Once the audit has been completed, which is expected to be in September, the Chief Constable will be asked to approve the Statements and the audit opinion provided will be inserted at pages 15 to 18 and the watermarking removed. Pages 12 and 137 of these accounts includes signatures which have been removed for the purposes of publication on the website.



Police and Crime Commissioner
for Cumbria

Statement of Accounts 2014/15

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 2014/15 is available on the Commissioner's website at www.cumbria-pcc.gov.uk.

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



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

Alternative Formats



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

Bengali

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

Cantonese

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Police and Crime Commissioner for Cumbria

Statement of Accounts 2014/15

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

Please see page 28 for a full list of the notes to the accounts and cross references to page numbers.

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2014/15 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 2011.

The statement provides a breakdown of net spending during the year and shows the strong overall financial position of the Commissioner as at 31 March 2015. 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: www.cumbria-pcc.gov.uk. This introduction aims to provide a simplified summary of the financial statements as part of this publication. It is also available as stand-alone Summary Statement document on the same website, together with the single entity statements of the Chief Constable.

Statutory Framework

The Commissioner was established as a statutory entity under the Police Reform and Social Responsibility Act 2011 (PRSRA 2011). The PRSRA 2011 provides that there will be a Police and Crime Commissioner for each police area with responsibility for ensuring the maintenance of the police force for the area, securing that the police force is efficient and effective and holding the Chief Constable to account. The Commissioner has wider responsibilities than those solely relating to the police

force. These include responsibility for the delivery of community safety and crime reduction, the enhancement of the delivery of criminal justice in their area and providing support to victims.

The PRSRA 2011 also established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The Chief Constable is accountable to the Commissioner for leadership of the force, the delivery of efficient and effective policing and the management of resources and expenditure.

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 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.

2014/15 Grant Settlement and Budget

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

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

The combined net revenue budget for the Commissioner and the Constabulary for 2014/15 of £96.714m was set by the Commissioner on 24 February 2014. Funding of this amount came from formula and police grants (£63.109m), and income from Council Tax (£33.605m). The capital budget was set at £10.214m and included provision for the new South Territorial Policing Area Headquarters at Barrow.

The budget was supported by an increase in Council Tax of 1.93%, taking the Commissioner's proportion of the band D equivalent tax to £208.62 per annum. The effect

of the increase is to support the medium term financial forecast and mitigate some of the impact of cost increases and reductions in government funding. The overall position on income, supported by the Council Tax, enabled the Commissioner to maintain the existing establishment of police officer and police and community support officer (PCSO) numbers for one year.

The Chief Constable was provided with funding of £112.24m to support policing, including a capital plant and equipment budget. The budget also provided £4.65m for Commissioned Services, to provide funding for partnership working across the Commissioner's wider community safety, crime reduction and victim support responsibilities.

The table below shows the summary revenue budget for 2014/15 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). 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
	2014/15	2014/15	2014/15	2014/15
	£000s	£000s	£000s	£000s
Constabulary Budget	105,664	105,785	105,527	(258)
Office of the PCC	850	850	816	(34)
Other PCC budgets	18,289	18,409	18,501	92
Grants/Contributions	(21,189)	(22,832)	(22,853)	(21)
To/(From) Reserves	(6,900)	(5,498)	(5,277)	221
Net Expenditure	96,714	96,714	96,714	0
Government Grants	(63,109)	(63,109)	(63,109)	0
Council Tax	(33,605)	(33,605)	(33,605)	0
Total External Funding	(96,714)	(96,714)	(96,714)	0

The presentation above is as the figures are reported throughout the year in the management accounts. At the year-end a number of technical accounting adjustments (required by proper accounting practice) are made. For this reason, the outturn in the table above will not reconcile directly to the Summary Comprehensive Income and Expenditure statement on page 8.

The constabulary budget is made up of funding for employee costs (Police Officers £72.65m, PCSO's £2.85m, Police Staff/other employee costs £19.83m), transport costs of £2.67m and supplies/other costs of £10.52m. The budget is shown net after taking into account £2.86m income. The Commissioner's budgets comprise the costs of running his office (£0.85m) and the net position on a range of other costs. These include estates costs (£3.87m for premises used by the Constabulary and Commissioner), Commissioned Services (£4.65m to fund investment in policing, victims and community safety services) and budgets to finance capital expenditure (£6.37m). PCC other budgets also include the costs of technical accounting adjustments, insurance and past pension costs. Overall expenditure was supported by a £5.28m contribution from reserves.

In-Year Financial Performance

Revenue Expenditure: The out-turn position for 2014/15, taking into account approved budget carry forwards, is a small net underspend of £221k, equating to 0.23% of the revised budget. Total expenditure has remained broadly in line with the set budget. The underspend is primarily attributable to an over-achievement of income. The additional income has arisen mainly as a result of mutual aid income in respect of policing of the NATO summit and other mutual aid events.

In approving the out-turn position, the Commissioner has agreed to the Chief Constable's request that the underspend be used as a contribution towards a small number of unbudgeted future costs that are likely to need resourcing from 2015/16.

The Commissioned Services budget for 2014/15 provided funding for initiatives in support of a number of the priorities identified within the Police and Crime Plan. This includes a significant investment in county wide CCTV, funding for community safety partnerships, sexual and domestic violence advisory services and support for services targeting reductions in youth offending. During 2014/15, to support more efficient and effective policing, the Commissioner also approved the start of a substantial programme of investment in mobile and digital working. The programme was successful in achieving matched funding from the Home Office Innovation Fund.

The Commissioner also maintains the Police Property Act Fund. This fund has been accumulated over a period of time as a result of the disposal of property coming into the possession of the police under the Police Property Act 1987 and the Powers of the Criminal Courts Act 1973. Community groups and individuals can submit applications for funding on a quarterly basis. During 2014/15 awards totaling £17k were made. As at 31 March 2015 the Police Property Act fund balance stood at £59k.

Capital Expenditure: In 2014/15 Capital Expenditure amounted to £9.46m against a budget of £13.01m. Whilst this represents a variance of £3.55m (27%), £2.8m is attributable to changes in the payment profile of the new HQ building at Barrow and £368k relates to delays in the delivery of CCTV. All other schemes have largely been delivered in accordance with the capital

programme profile. In respect of the Barrow Scheme, a number of severe weather incidents has resulted in the contractor submitting a revised schedule for receipt and payment of a number of major building components. This has impacted on the timing of payments only, with the scheme still on target to complete during 2015/16.

During 2014/15 the capital programme has delivered £2.2m investment in ICT. This has included cyclical replacement of radio, communications and network hardware, investment in mobile and digital equipment, a new system for case and custody management and the upgrade of command and control software for the communications center. £2.16m has been invested in the vehicle fleet, £4.18m on the building estate and £0.595m on the first stages of CCTV.



Barrow TPA HQ – Designer's

Arrangements for approving the budget and authorising capital schemes provide an effective level of challenge to ensure that resources are used economically, efficiently and effectively. Further challenge is provided by internal and external annual assessments of value for money. Her Majesty's Inspectorate of Constabulary (HMIC) 2014 inspection on value for Money assessed the Constabulary as good regarding steps being taken to ensure a secure financial position, provide policing in an affordable way and in being efficient. External auditors concluded that the Commissioner and Chief

Constable each have proper arrangements in place for challenging how they secure economy, efficiency and effectiveness and for securing financial resilience.

The Financial Statements

This section of the financial summary 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 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 21 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

Summary Movement in Reserves	Balance	Movements	Balance
	31/03/2014	2014/15	31/03/2015
	£000s	£000s	£000s
Police Fund	5,149	0	5,149
Earmarked Revenue Reserves	16,795	(2,951)	13,844
Earmarked Capital Reserves	10,870	(2,327)	8,543
Capital Receipts	1,043	(1,043)	0
Capital Grants Unapplied	3,866	866	4,732
Total Usable Reserves	37,723	(5,455)	32,268
Unusable Reserves	(975,593)	(152,698)	(1,128,291)
Total Reserves	(937,870)	(158,153)	(1,096,023)

Movements in Usable Reserves record the amounts we have taken out of specific (earmarked) reserves to help fund expenditure during the year, and any 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.

A general reserve, the Police Fund, provides for unplanned financial risks. The balance on the Police Fund at 31 March 2015 stands at £5.149m. During 2014/15 we used £2.95m of revenue reserves and £2.32m of capital reserves to fund expenditure. This included the use of revenue reserves for management of change costs and past service pension costs and the use of capital reserves for ICT and estates projects including the new HQ building at Barrow. Further detail on earmarked reserves is provided within note 5 to the statement of accounts on pages 35-36.

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 main unusable reserves are the Revaluation Reserve and Capital Adjustment Account, recording accounting transactions for our capital assets and the Pensions Reserve that records accounting transactions for the Police and Local Government Pension Schemes. The Pension's Reserve holds the biggest unusable reserve balance of £1,175m (£1,017m in 2013/14).

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.

This 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. A

PCC Chief Finance Officer Introduction and Summary of Accounts

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 105).

The CI&ES is shown on page 23 of the full statement of accounts. The table below sets out a summary CI&ES statement.

Summary CI&ES	Gross Expenditure 2014/15 £000s	Gross Income 2014/15 £000s	Net Expenditure 2014/15 £000s
Local Policing	49,138	(1,869)	47,269
Dealing with the public	7,168	(23)	7,145
Criminal justice arrangements	9,263	(381)	8,882
Road policing	7,387	(988)	6,399
Specialist operations	3,395	(617)	2,778
Intelligence	5,563	(94)	5,469
Investigation	13,383	(294)	13,089
Investigative support	3,328	(73)	3,255
National policing	1,849	(1,340)	509
Other costs	1,818	(1)	1,817
Cost of Services	102,292	(5,680)	96,612
Other operating expenditure	15,169	(15,275)	(106)
Financing Costs and Investment Income	49,324	(4,358)	44,966
Council tax and grant income	0	(103,849)	(103,849)
(surplus)/deficit on the provision of services	166,785	(129,162)	37,623
Other comprehensive income and expenditure			120,530
Total Comprehensive income and expenditure			158,153

The statement shows a net cost of services of £96.61m. Local policing, which includes the costs of neighbourhood policing, incident management, local investigation and community liaison is attributable for nearly half of that cost (£47.27m). 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 financing costs and investment income of £44.97m.

Financing costs includes the costs of borrowing (capital financing). Capital financing costs are extremely low other than those that fund the Workington PFI building. This reflects the Commissioner's decision to continue to finance the capital programme internally using cash reserves. The decision is influenced by the relatively low interest rates available on investing such balances. At the end of the financial year £17.04m (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.

The most significant element of net financing costs comprise Pension charges (£44.47m). These charges are calculated in accordance with generally accepted accounting practices and do not all need to be funded in the 2014/15 financial year. 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 £37.62m. A further accounting adjustment of £120.53m expenditure through the 'other comprehensive income and expenditure' line results in an overall position on the statement of a deficit of £158.15m. This is an accounting deficit that is taken to Unusable Reserves. Page 4 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 £221k against the 2014/15 budget.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2015) of the Commissioner's assets and liabilities. The balance sheet is shown on page 25 in the full statement of accounts. The table below sets out a summary balance sheet.

Summary Balance Sheet	Balance	Balance
	31/03/2014	31/03/2015
	£000s	£000s
Property, plant & equipment	60,850	64,329
Intangible assets	643	486
Current assets	34,208	31,556
Current Liabilities	(10,822)	(11,095)
Long Term Liabilities	(1,022,749)	(1,181,299)
Net Assets	(937,870)	(1,096,023)
Usable reserves	37,723	32,268
Unusable Reserves	(975,593)	(1,128,291)
Total reserves	(937,870)	(1,096,023)

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 £64.33m. Current assets comprising investments, debtors and cash have a value of £31.56m. The Commissioner has a good collection record in respect of debtor invoices raised for services provided. During 2014/15 35 sundry debtor invoices totaling £7,792 were authorised to be written off as not collectable. The Bad Debt Provision stands at £1,206 (£4,172 in 2013/14) against the future risk that not all outstanding invoices will prove to be 100% collectable. See note 11 to the statement of accounts (Page 46).

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.

Long term liabilities are the most significant figure on the balance sheet, showing a balance of £1,181m (£1,023m in 2013/14). The main element of this amount is a pension's deficit of £1,175m (£1,017m in 2013/14) 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 a 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 amount of net cash flows arising from operating activity represents how much cash has been received from 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.

Net cash flows from investing activity mainly relate to how much cash has been deposited in short and long term investments and how much cash has been received when the investment comes to the end of its term. This is usually the original deposit plus interest. Investment activity provides a way to manage resources that will be used to fund future expenditure, earning interest on any balances. Investment activity within the cash flow statement also includes cash flows from the purchase and sale of capital assets (e.g. property).

Cash flows arising from financing activities show the net amount of cash used in relation to borrowing. The Commissioner has no borrowing other than that which relates to finance leases and the PFI agreement. The cash flow entry on the cash flow statement represents the cash that has been paid to reduce those debts during the year.

The statement is shown on pages 26-27 of the full statement of accounts. The table below sets out a summary cash flow statement.

Summary Cash Flow Statement	Cash flows 2013/14 £000s	Cash flows 2014/15 £000s
Cash & Cash Equivalents 1 April	(10,680)	(11,310)
Net cash flow from:		
Operating activity	(8,453)	(2,756)
Investing activity	7,737	7,096
Financing activity	86	89
Cash & Cash Equivalents 31 March, made up of:	(11,310)	(6,881)
Bank Accounts	(105)	(2,577)
Money Market Funds	(11,205)	(4,304)

The Commissioner's cash flow statement shows a balance of £6.88m, compared to £11.31m in 2013/14.

This means that during the financial year, there has been a decrease in cash and cash equivalents. This has arisen from a lower level of cash flow being generated through operating activity creating a net cash inflow of £2.76m in 2014/15 compared to £8.45m in 2013/14. Investing activities showing a net cash outflow of £7.10m during the year with £4.30m in money market funds and £2.58m in banks at the year end.

Police Officer Pension Fund Accounts

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 2013/14 £000s	Pension Fund A/C 2014/15 £000s
Contributions - Employer	(9,772)	(9,794)
Contributions - Officers	(5,277)	(5,515)
Contributions - Other	(767)	(444)
Benefits Payable	30,392	30,503
Other Payments	182	419
Net Amount Payable	14,758	15,169
Contribution from Home Office	(14,758)	(15,169)
Net Amount Payable	0	0

The statement identifies contributions into the fund of £9.79m from the Constabulary (employer) and £5.52m from police officers. In total £30.50m of pensions have been paid out of the fund. The balance between contributions and those pensions' benefits of £15.17m has been funded by the Home Office. The full police officer pension fund account is shown on pages 68 to 69 of the financial statements accompanied with a page of explanatory notes.

Supporting Information to the Financial Statements

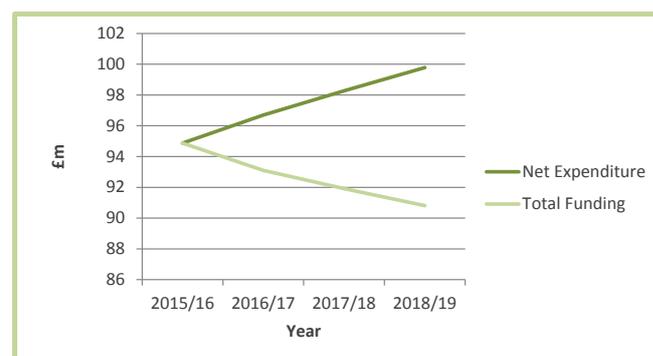
The key financial statements are supplemented by an explanation of the accounting policies used in preparing the statements. They also contain a comprehensive set of notes that explain in more detail a number of entries in the primary financial statements. A glossary of terms provides an explanation 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 2011 Accounts and Audit (England) Regulations.

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the strong overall financial position of the Commissioner as at 31 March 2015. This has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of future reductions in government funding. This has enabled reserves to be maintained at a level that provides some financial resilience. This is in the context of uncertainty regarding future national funding allocations and changes to the funding formula that is used to distribute government funding to policing areas. Whilst the outlook is financially resilient in the short term, it is expected to become significantly more challenging over the next few years.

Significantly the budget approved on 24 February 2015 for the 2015/16 financial year was set in the context of a four year medium term financial forecast that is dependent on over £10m of savings being delivered over and above £16m that have already been found since 2010.

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



During 2015 a new spending review is expected to provide more certainty with regard to the total level of resources available. Announcements are also anticipated regarding changes to police formula funding that will impact on how national resources are distributed.

The Commissioner and Chief Constable continue to work to develop and implement organisational changes that will address the future gap between expenditure and income.

Acknowledgements

The financial statements were authorised for issue by me as PCC Chief Finance Officer (CFO), on 28 May 2015 and following completion of the audit, they will be presented for approval by the Chief Constable at a joint meeting of the Executive Board and Joint Audit and Standards Committee.

Ruth Hunter

PCC Chief Finance Officer/Deputy Chief Executive

The accounts present a true and fair view of the position of the Police and Crime Commissioner's Group Accounts as at 31 March 2015 and its income and expenditure for the year there ended.

PCC Chief Finance Officer/Deputy Chief Executive

Ruth Hunter CPFA _____ Date 28 May 2015

The accounts have been signed off and authorised for issue by the PCC CFO on 28 May 2015. At this point the appointed auditor from Grant Thornton UK LLP has not completed her annual audit and as such has not given an opinion. The accounts are therefore watermarked "subject to audit". Once the audit has been completed (expected September 2015), the audit opinion will be provided and the accounts will be presented to the Commissioner at a joint meeting of the Executive Board and the Joint Audit and Standards Committee for approval.

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 Commissioner'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.

2 The Commissioner's Chief Finance Officer's Responsibilities

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

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

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

The Commissioner's CFO has also:

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

The Commissioner's CFO should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2015.

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 Commissioner's 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 2015.



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

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

Due to the size of the statements, the positions for the Group and the PCC are shown in separate tables, the figures for 2014/15 and the comparators for 2013/14 are also shown in separate tables.

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

The 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.

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 and specialist investigation.

- 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 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 2014/15 figures and 2013/14 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 2014/15 figures and 2013/14 comparators.

Movement in Reserves Statement – Group

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

Movement in Reserves Statement (Group) Figures for 2014/15	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)	Transfers between usable and unusable reserves	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
Usable Reserves										
Police Fund Account	5,149	(37,623)	0	(37,623)	32,345	0	(5,278)	5,278	0	5,149
Earmarked Revenue Reserves	16,795	0	0	0	0	0	0	(2,951)	(2,951)	13,844
Earmarked Capital Reserves	10,870	0	0	0	0	0	0	(2,327)	(2,327)	8,543
Capital Receipts Reserve	1,043	0	0	0	(1,043)	0	(1,043)	0	(1,043)	0
Capital Grants Unapplied	3,866	0	0	0	866	0	866	0	866	4,732
Total Usable Reserves	37,723	(37,623)	0	(37,623)	32,168	0	(5,455)	0	(5,455)	32,268
Unusable Reserves										
Revaluation Reserve	8,980	0	335	335	0	0	335	0	335	9,315
Capital Adjustment Account	35,155	0	0	0	4,104	0	4,104	0	4,104	39,259
Police Pensions Reserve	(999,400)	0	(105,250)	(105,250)	(37,920)	0	(143,170)	0	(143,170)	(1,142,570)
LGPS Pensions Reserve	(17,339)	0	(15,615)	(15,615)	777	0	(14,838)	0	(14,838)	(32,177)
Collection Fund Adjustment Account	373	0	0	0	210	0	210	0	210	583
Accumulated Absences Account	(3,362)	0	0	0	661	0	661	0	661	(2,701)
Total Unusable Reserves	(975,593)	0	(120,530)	(120,530)	(32,168)	0	(152,698)	0	(152,698)	(1,128,291)
Total Reserves	(937,870)	(37,623)	(120,530)	(158,153)	0	0	(158,153)	0	(158,153)	(1,096,023)

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

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

Movement in Reserves Statement – PCC

The figures for the PCC Single Entity in 2014/15 are provided in the table below:

Movement in reserves Statement (PCC) Figures for 2014/15	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
Usable Reserves										
Police Fund Account	5,149	(1,100)	0	(1,100)	(4,178)	0	(5,278)	5,278	0	5,149
Earmarked Revenue Reserves	16,795	0	0	0	0	0	0	(2,951)	(2,951)	13,844
Earmarked Capital Reserves	10,870	0	0	0	0	0	0	(2,327)	(2,327)	8,543
Capital Receipts Reserve	1,043	0	0	0	(1,043)	0	(1,043)	0	(1,043)	0
Capital Grants Unapplied	3,866	0	0	0	866	0	866	0	866	4,732
Total Usable Reserves	37,723	(1,100)	0	(1,100)	(4,355)	0	(5,455)	0	(5,455)	32,268
Unusable Reserves										
Revaluation Reserve	8,980	0	335	335	0	0	335	0	335	9,315
Capital Adjustment Account	35,155	0	0	0	4,104	0	4,104	0	4,104	39,259
LGPS Pensions Reserve	(563)	0	(326)	(326)	32	61	(233)	0	(233)	(796)
Collection Fund Adjustment Account	373	0	0	0	210	0	210	0	210	583
Accumulated Absences Account	(26)	0	0	0	9	0	9	0	9	(17)
Total Unusable Reserves	43,919	0	9	9	4,355	61	4,425	0	4,425	48,344
Total Reserves	81,642	(1,100)	9	(1,091)	0	61	(1,030)	0	(1,030)	80,612

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 and 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.

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

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

Comprehensive Income and Expenditure Statement - Group

Comprehensive Income and Expenditure Statement (Group)		Group	Group	Group	Group	Group	Group
		2013/14	2013/14	2013/14	2014/15	2014/15	2014/15
		Gross	Gross	Net	Gross	Gross	Net
		Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
	Notes						
Local Policing	#	48,987	(1,972)	47,015	49,138	(1,869)	47,269
Dealing with the public	#	7,445	(44)	7,401	7,168	(23)	7,145
Criminal justice arrangements	#	9,133	(404)	8,729	9,262	(380)	8,882
Road policing	#	6,953	(956)	5,997	7,387	(988)	6,399
Specialist operations	#	4,050	(458)	3,592	3,395	(617)	2,778
Intelligence	#	5,873	(231)	5,642	5,563	(94)	5,469
Investigation	#	14,012	(291)	13,721	13,383	(294)	13,089
Investigative support	#	3,142	(56)	3,086	3,328	(73)	3,255
National policing	#	1,465	(964)	501	1,849	(1,340)	509
Corporate and democratic core	#	1,172	(2)	1,170	1,096	(1)	1,095
Non distributed costs	#	91	0	91	47	0	47
Termination Payments	23	671	0	671	675	0	675
Cost Of Services		102,994	(5,378)	97,616	102,291	(5,679)	96,612
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	6e	0	(80)	(80)	0	(106)	(106)
Transfer to Pension Fund/Pension Top Up Grant		14,758	(14,758)	0	15,169	(15,169)	0
		14,758	(14,838)	(80)	15,169	(15,275)	(106)
Financing and Investment Income and Expenditure							
Interest element of finance leases (lessee)		1	0	1	1	0	1
Interest payable on PFI unitary payments		668	0	668	658	0	658
Net Interest on the net defined benefit liability	Annex B	48,187	(3,550)	44,637	48,665	(4,191)	44,474
Investment property rental income		0	(10)	(10)	0	(12)	(12)
Investment interest income		0	(148)	(148)	0	(155)	(155)
		48,856	(3,708)	45,148	49,324	(4,358)	44,966
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	25	0	(889)	(889)	0	(1,387)	(1,387)
Income from Council Tax	26	0	(32,867)	(32,867)	0	(33,815)	(33,815)
Council Tax Grant (Freeze & Support)	25	0	(4,944)	(4,944)	0	(4,850)	(4,850)
Formula Funding	25	0	(33,939)	(33,939)	0	(32,340)	(32,340)
Home Office Police Grant	25	0	(31,891)	(31,891)	0	(30,769)	(30,769)
PFI Grant	25	0	(688)	(688)	0	(688)	(688)
		0	(105,218)	(105,218)	0	(103,849)	(103,849)
(Surplus) or Deficit on Provision of Services		166,608	(129,142)	37,466	166,784	(129,161)	37,623
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation gains	6			(2,173)			(335)
Revaluation losses (chargeable to revaluation reserve)	6			289			0
Actuarial (gains) / losses on pension assets / liabilities							
- Matching the entry to the pensions reserve	Annex B			(65,973)			120,865
Other Comprehensive Income and Expenditure				(67,857)			120,530
Total Comprehensive Income and Expenditure				(30,391)			158,153

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 19-20.

Comprehensive Income and Expenditure Statement - PCC

Comprehensive Income and Expenditure Statement (PCC)		PCC	PCC	PCC	PCC	PCC	PCC
		2013/14 Gross Expenditure £000s	2013/14 Gross Income £000s	2013/14 Net Expenditure £000s	2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s
	Notes						
	#	8,250	(7,836)	414	5,245	(4,566)	679
	#	1,254	(175)	1,079	765	(57)	708
	#	1,538	(1,606)	(68)	989	(932)	57
	#	1,171	(3,799)	(2,628)	789	(2,413)	(1,624)
	#	682	(1,819)	(1,137)	362	(1,508)	(1,146)
	#	989	(918)	71	594	(229)	365
	#	2,360	(1,158)	1,202	1,429	(718)	711
	#	529	(223)	306	355	(178)	177
	#	247	(3,832)	(3,585)	197	(3,274)	(3,077)
	#	873	(2)	871	784	(1)	783
	#	3	0	3	0	0	0
		103,613	0	103,613	106,912	0	106,912
		121,509	(21,368)	100,141	118,421	(13,876)	104,545
Cost Of Services							
Other Operating Expenditure							
	6e	0	(80)	(80)	0	(106)	(106)
		14,758	(14,758)	0	15,169	(15,169)	0
		14,758	(14,838)	(80)	15,169	(15,275)	(106)
Financing and Investment Income and Expenditure							
		1	0	1	1	0	1
		668	0	668	658	0	658
	Annex B	156	(115)	41	116	(98)	18
		0	(10)	(10)	0	(12)	(12)
		0	(148)	(148)	0	(155)	(155)
		825	(273)	552	775	(265)	510
Taxation and Non-Specific Grant Income							
	25	0	(889)	(889)	0	(1,387)	(1,387)
	26	0	(32,867)	(32,867)	0	(33,815)	(33,815)
	25	0	(4,944)	(4,944)	0	(4,850)	(4,850)
	25	0	(33,939)	(33,939)	0	(32,340)	(32,340)
	25	0	(31,891)	(31,891)	0	(30,769)	(30,769)
	25	0	(688)	(688)	0	(688)	(688)
		0	(105,218)	(105,218)	0	(103,849)	(103,849)
		137,092	(141,697)	(4,605)	134,365	(133,265)	1,100
Surplus or Deficit on Provision of Services							
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
	6			(2,173)			(335)
	6			289			0
Actuarial (gains) / losses on pension assets / liabilities							
	Annex B			(475)			326
Other Comprehensive Income and Expenditure							
Total Comprehensive Income and Expenditure							
				(6,964)	1,091		

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 19-20.

Balance Sheet – PCC & Group

Balance Sheet	Notes	PCC	PCC	Group	Group
		31 March 2014	31 March 2015	31 March 2014	31 March 2015
		£000s	£000s	£000s	£000s
Property, Plant & Equipment	6				
Land and Buildings	6	52,681	49,936	52,681	49,936
Vehicles	6	2,003	3,224	2,003	3,224
Information Technology Equipment	6	4,900	5,301	4,900	5,301
Furniture, Equipment & Plant	6	457	1,195	457	1,195
Assets Under Construction (Land & Buildings)	6	709	4,573	709	4,573
Investment Properties		100	100	100	100
		60,850	64,329	60,850	64,329
Intangible Assets - Software	8	643	486	643	486
Long Term Assets		61,493	64,815	61,493	64,815
Short Term Investments	14	13,636	12,544	13,636	12,544
Assets held for sale (within 1yr)	7	0	796	0	796
Inventories		0	0	326	295
Short Term Debtors (external)	11	8,936	11,040	8,936	11,040
Short Term Debtors (amounts owed to PCC by CC re CC share of external Creditors)	11	8,211	8,451	0	0
Short Term Debtors (funding balance owed to PCC by CC)	11	3,204	4,543	0	0
Cash and Cash Equivalents	CF4	11,310	6,881	11,310	6,881
Current Assets		45,297	44,255	34,208	31,556
Short Term Creditors (external)	12	(10,733)	(10,997)	(10,733)	(10,997)
Short Term Creditors (amounts owed by PCC to CC re CC share of external debtors)	12	(2,986)	(4,464)	0	0
Short Term Creditors (funding balance due from PCC to CC)	12	(5,557)	(6,981)	0	0
PFI Finance Lease Liability Due within 1 Year	9	(86)	(98)	(86)	(98)
Finance Lease Liability Due within 1 Year		(3)	0	(3)	0
Current Liabilities		(19,365)	(22,540)	(10,822)	(11,095)
Provisions	13	0	0	(790)	(1,430)
Other Long Term Liabilities					
Pensions liability - Police	15	0	0	(999,400)	(1,142,570)
Pensions liability - LGPS	15	(563)	(796)	(17,339)	(32,177)
PFI Finance Lease Liability	9	(5,220)	(5,122)	(5,220)	(5,122)
Long Term Liabilities		(5,783)	(5,918)	(1,022,749)	(1,181,299)
Net Assets		81,642	80,612	(937,870)	(1,096,023)
Usable reserves	16				
Police Fund		5,149	5,149	5,149	5,149
Earmarked reserves (revenue)	5	16,795	13,844	16,795	13,844
Earmarked reserves (capital)	5	10,870	8,543	10,870	8,543
Capital Receipts Reserve	4	1,043	0	1,043	0
Capital Grants Unapplied	4	3,866	4,732	3,866	4,732
		37,723	32,268	37,723	32,268
Unusable Reserves	17				
Revaluation Reserve	17a	8,980	9,315	8,980	9,315
Capital Adjustment Account	17b	35,155	39,259	35,155	39,259
Pensions Reserve - Police	17e	0	0	(999,400)	(1,142,570)
Pensions Reserve - LGPS	17e	(563)	(796)	(17,339)	(32,177)
Collection Fund Adjustment Account	17c	373	583	373	583
Accumulated Absences Account	17d	(26)	(17)	(3,362)	(2,701)
		43,919	48,344	(975,593)	(1,128,291)
Total Reserves		81,642	80,612	(937,870)	(1,096,023)

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)	See Note Below	PCC 2013/14 £000s	PCC 2014/15 £000s	Group 2013/14 £000s	Group 2014/15 £000s
Net (Surplus) or Deficit on the provision of services		(4,605)	1,100	37,466	37,623
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(4,307)	(3,879)	(46,378)	(40,402)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	CF2	459	23	459	23
Net cash flows from Operating Activities	CF3	(8,453)	(2,756)	(8,453)	(2,756)
Investing Activities	CF4	7,737	7,096	7,737	7,096
Financing Activities	CF5	86	89	86	89
Net (increase) or decrease in cash and cash equivalents		(630)	4,429	(630)	4,429
Cash and cash equivalents at the beginning of the reporting period		(10,680)	(11,310)	(10,680)	(11,310)
Cash and cash equivalents at the end of the reporting period	CF6	(11,310)	(6,881)	(11,310)	(6,881)
Notes to the Cash Flow Statement					
CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:					
Depreciation & Amortisation		(5,032)	(4,387)	(5,032)	(4,387)
Impairment & Downward Valuations		500	(1,288)	500	(1,288)
Carrying amount of non current assets - sold		(416)	0	(416)	0
Grants applied to the financing of capital expenditure		889	1,387	889	1,387
Pension Liability (Contributions to/from Pensions Reserve)		(71)	32	(42,452)	(37,143)
Creditors - Change in Balance Sheet		(544)	(264)	(544)	(264)
Creditors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		226	292	226	292
Creditors - Adjustment re CC Share of Debtors		(226)	(1,480)	0	0
Creditors - Adjustment re Balance of Funding due from PCC to CC		(129)	(1,424)	0	0
Debtors - Change in Balance Sheet		(115)	2,104	(115)	2,104
Debtors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		0	(439)	0	(439)
Debtors - Change in Balance Sheet (Adjustment for Investment Interest)		33	8	33	8
Debtors - Adjustment re CC Share of Creditors		291	241	0	0
Debtors - Adjustment re Balance of Funding due from CC to PCC		243	1,339	0	0
Stock - Change in Balance Sheet		0	0	24	(32)
Provisions - Change in Balance Sheet		44	0	509	(640)
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(4,307)	(3,879)	(46,378)	(40,402)

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)	PCC 2013/14 £000s	PCC 2014/15 £000s	Group 2013/14 £000s	Group 2014/15 £000s
CF2 - The Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities are made up as follows:				
Proceeds from the Sale of PPE and Intangibles	459	23	459	23
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	459	23	459	23
CF3 - The cash flows from <i>Operating Activities</i> include the following items:				
Interest received	(107)	(148)	(107)	(148)
Interest Paid	669	658	669	658
CF4 - The cash flows from <i>Investing Activities</i> are made up as follows:				
Purchase of property, plant and equipment and intangible assets	3,085	9,606	3,085	9,606
Purchase of short-term and long-term investments	71,300	53,300	71,300	53,300
Proceeds from the sale of property, plant and equipment and intangible assets	(459)	(23)	(459)	(23)
Proceeds from short-term and long-term investments	(65,300)	(54,400)	(65,300)	(54,400)
Other receipts from investing activities	(889)	(1,387)	(889)	(1,387)
Net cash flows from investing activities	7,737	7,096	7,737	7,096
CF5 - The cash flows from <i>Financing Activities</i> are made up as follows:				
Cash receipts of short and long-term borrowing	0	0	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	86	89	86	89
Repayment of short and long-term borrowing	0	0	0	0
Net cash flows from financing activities	86	89	86	89
CF6 - The balance of <i>Cash and Cash Equivalents</i> is made up as follows:				
Bank current accounts	(16)	(14)	(16)	(14)
Short-term deposit with bank (overnight)	(89)	(2,563)	(89)	(2,563)
Investments in Money Market Funds (available on demand)	(11,205)	(4,304)	(11,205)	(4,304)
Total Cash and Cash Equivalents	(11,310)	(6,881)	(11,310)	(6,881)

Index of Notes to the Accounts

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The notes to the accounts are provided to aid the understanding of material items within the core financial statements. Where the figures provided are different for the Group and PCC Single Entity either separate notes will be provided or a single note will show the respective figures in different columns, these will be headed Group or PCC. Where the figures are the same for the group and single entity a single note is provided, this is headed up PCC/Group. As a general rule, the column showing the figures for 2014/15 will be highlighted, whilst the comparatives for 2013/14 (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 70-72. 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 73 to 89 of this document, the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

2 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Commissioner's Chief Finance Officer on 28 May 2015. 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 2015 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	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.	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.
<u>Provisions</u>	The Commissioner has made a provision of £495k for the settlement of insurance liabilities for a number of eventualities which are not covered by external insurers. The provision is based on an actuarial estimate but it is not yet certain that all valid claims have yet been received by the Commissioner.	An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £50k to the provision needed.
	The Commissioner has made a provision of £555k in respect of termination costs (redundancy and additional pensions) in respect of redundancies to which the Constabulary had made an offer and could no longer withdraw as at 31 March 2015 which will take place in 2015/16.	Throughout the period of re-organisation, termination costs have been met from the Management of Change Reserve established for this purpose, any increase in the costs of termination (over and above that in the provision) will be met from the reserve. Any increase or decrease in the actual amount paid compared to the established provision will fall to the revenue budget for 2015/16.
	The Commissioner has made a provision of £380k in respect of legal claims that are currently ongoing.	Any increase or decrease in the actual liability will need to be met from the revenue budget.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).	The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts (Annex B) in section B Pension Disclosures (pages 95-104).

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 2014/15 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	Group	Group	Group	Group	Group	Group
		Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,081	0	0	4,081	(4,081)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	1,288	0	0	1,288	(1,288)	0
Amortisation of intangible assets	8	306	0	0	306	(306)	0
Statutory provision for the financing of capital investment	30	(362)	0	0	(362)	362	0
Capital expenditure charged against the Police Fund	28a	(7,829)	0	0	(7,829)	7,829	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(1,387)	0	1,387	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	17b	0	0	(521)	(521)	521	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(24)	24	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	28a	0	(1,067)	0	(1,067)	1,067	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES	17e/15	67,895	0	0	67,895	(67,895)	0
Employer's pension contributions and direct payments to pensioners payable in the year	17e/15	(30,752)	0	0	(30,752)	30,752	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	17c/26	(210)	0	0	(210)	210	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	17d	(661)	0	0	(661)	661	0
Total Adjustments		32,345	(1,043)	866	32,168	(32,168)	0

Notes to the Accounts

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	Group Police Fund Balance	Group Capital Receipts Reserve	Group Capital Grants Unapplied	Group Total Usable Reserves	Group Total Unusable Reserves	Group Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,395	0	0	4,395	(4,395)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	(500)	0	0	(500)	500	0
Amortisation of intangible assets	8	637	0	0	637	(637)	0
Capital grants and contributions applied	17b	(49)	0	0	(49)	49	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6e/7	416	0	0	416	(416)	0
Statutory provision for the financing of capital investment	30	(383)	0	0	(383)	383	0
Capital expenditure charged against the Police Fund	28a	(1,873)	0	0	(1,873)	1,873	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(840)	0	840	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	17b	0	0	(739)	(739)	739	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(458)	458	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	28a	0	(600)	0	(600)	600	0
Contribution from the Capital Receipts Reserve towards administration costs of non current asset disposals	6e	3	(3)	0	0	0	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES	17e/15	71,035	0	0	71,035	(71,035)	0
Employer's pension contributions and direct payments to pensioners payable in the year	17e/15	(28,583)	0	0	(28,583)	28,583	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	17c/26	74	0	0	74	(74)	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	17d	(308)	0	0	(308)	308	0
Total Adjustments		43,566	(145)	101	43,522	(43,522)	0

Notes to the Accounts

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	PCC	PCC	PCC	PCC	PCC	PCC
		Police	Capital	Capital	Total	Total	Total
		Fund	Receipts	Grants	Usable	Unusable	Total
		Balance	Reserve	Unapplied	Reserves	Reserves	Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,081	0	0	4,081	(4,081)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	1,288	0	0	1,288	(1,288)	0
Amortisation of intangible assets	8	306	0	0	306	(306)	0
Statutory provision for the financing of capital investment	30	(362)	0	0	(362)	362	0
Capital expenditure charged against the Police Fund	28a	(7,829)	0	0	(7,829)	7,829	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(1,387)	0	1,387	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	17b	0	0	(521)	(521)	521	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(24)	24	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	28a	0	(1,067)	0	(1,067)	1,067	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	17e/15	106	0	0	106	(106)	0
Employer's pension contributions and direct payments to pensioners payable in the year	17e/15	(138)	0	0	(138)	138	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	17c/26	(210)	0	0	(210)	210	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	17d	(9)	0	0	(9)	9	0
Total Adjustments		(4,178)	(1,043)	866	(4,355)	4,355	0

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	PCC Police Fund Balance	PCC Capital Receipts Reserve	PCC Capital Grants Unapplied	PCC Total Usable Reserves	PCC Total Unusable Reserves	PCC Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)							
Charges for depreciation and impairment of non-current assets	6	4,395	0	0	4,395	(4,395)	0
Revaluation (gains)/losses on Property, Plant & Equipment	6	(500)	0	0	(500)	500	0
Amortisation of intangible assets	8	637	0	0	637	(637)	0
Capital grants and contributions applied	17b	(49)	0	0	(49)	49	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6e/7	416	0	0	416	(416)	0
Statutory provision for the financing of capital investment	30	(383)	0	0	(383)	383	0
Capital expenditure charged against the Police Fund	28a	(1,873)	0	0	(1,873)	1,873	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to the CI&ES		(840)	0	840	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	17b	0	0	(739)	(739)	739	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	6e	(458)	458	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	28a	0	(600)	0	(600)	600	0
Contribution from the Capital Receipts Reserve towards administration costs of non current asset disposals	6e	3	(3)	0	0	0	0
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	17e/15	168	0	0	168	(168)	0
Employer's pension contributions and direct payments to pensioners payable in the year	17e/15	(96)	0	0	(96)	96	0
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&ES is different from council tax in the year in accordance with statutory requirements	17c/26	74	0	0	74	(74)	0
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	17d	1	0	0	1	(1)	0
Total Adjustments		1,495	(145)	101	1,451	(1,451)	0

5 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Police Fund balances in [earmarked reserves](#) to provide financing for future expenditure plans and the movement on earmarked reserves during 2014/15 (and comparatives for 2013/14).

Earmarked Reserves	PCC/Group	PCC/Group	Description/Purpose
	2013/14	2014/15	
	£000s	£000s	
Insurance Reserve			
Balance at Start of Year	443	494	To offset any insurance claims not specifically detailed in the insurance provision.
Transfer to Reserve in Year	98	87	
Transfer from Reserve in Year	(47)	(59)	
Transfers Between Reserves	0	0	
Balance at End of Year	494	522	
Management of Change			
Balance at Start of Year	2,010	1,677	To help manage significant organisational change. The amount of this reserve is based on estimated future costs of redundancy arising from restructuring /reducing the workforce, in addition to any other associated costs of re-organisation.
Transfer to Reserve in Year	0	681	
Transfer from Reserve in Year	(333)	(675)	
Transfers Between Reserves	0	0	
Balance at End of Year	1,677	1,683	
Chief Constable's Operational Contingency			
Balance at Start of Year	250	250	To provide resources to assist in funding unexpected major events, if necessary. The Home Office Financial Management Code recommends that there should be an operational contingency.
Transfer to Reserve in Year	0	0	
Transfer from Reserve in Year	0	0	
Transfers Between Reserves	0	0	
Balance at End of Year	250	250	
Chief Constable's Contingency			
Balance at Start of Year	0	0	A reserve established in 2014/15 to meet an increase in budget pressure arising in year as a result of budgeting risks taken during the budget process. The establishment of this reserve has supported a significant reduction in the ongoing revenue budget requirement.
Transfer to Reserve in Year	0	500	
Transfer from Reserve in Year	0	0	
Transfers Between Reserves	0	0	
Balance at End of Year	0	500	
PFI Reserve & Lifecycle Replacement			
Balance at Start of Year	1,914	1,873	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
Transfer to Reserve in Year	0	0	
Transfer from Reserve in Year	(41)	(10)	
Transfers Between Reserves	0	0	
Balance at End of Year	1,873	1,863	
Police and Crime Commissioner Operational Contingency			
Balance at Start of Year	150	250	To provide resources both to back up the annual operational contingency and, in addition, to assist in funding unexpected expenditure/budget pressures in line with the Commissioner's responsibilities. The Home Office Financial Management Code recommends that there should be an operational contingency.
Transfer to Reserve in Year	100	0	
Transfer from Reserve in Year	0	0	
Transfers Between Reserves	0	0	
Balance at End of Year	250	250	
Police and Crime Commissioner Transition			
Balance at Start of Year	219	79	To help manage the costs associated with the transition plan for the four yearly appointment of Police and Crime Commissioners.
Transfer to Reserve in Year	11	0	
Transfer from Reserve in Year	(151)	(29)	
Transfers Between Reserves	0	0	
Balance at End of Year	79	50	

Transfers to/from Earmarked Reserves (Continued)

Earmarked Reserves	PCC/Group 2013/14 £000s	PCC/Group 2014/15 £000s	Description/Purpose
Formula Funding/Autumn Statement Risk			
Balance at Start of Year	0	0	A reserve established during 2014/15 to provide resources to
Transfer to Reserve in Year	0	200	contribute towards future budgets as a result of risk of funding
Transfer from Reserve in Year	0	0	formula and grant settlement reductions. This reserve will increase
Transfers Between Reserves	0	0	in 2015/16 with funds set aside from the budget process.
Balance at End of Year	0	200	
Investment Fund			
Balance at Start of Year	6,280	9,280	To invest in initiatives such as technology to increase the
Transfer to Reserve in Year	3,000	1,568	productivity of the Constabulary and deliver the police and crime
Transfer from Reserve in Year	0	(406)	plan. The transfer of £3m in 2014/15 reflects the transfer of funding
Transfers Between Reserves	0	(3,137)	to a capital reserve to fund mobile and digital working. The
Balance at End of Year	9,280	7,305	investment plans for this reserve anticipated it being substantially
			utilised by 2018.
Past Service Cost (LGPS)			
Balance at Start of Year	0	196	A reserve established in 2013/14 to be used to help meet additional
Transfer to Reserve in Year	196	0	past service costs chargeable in 2014/15 as a result of the decision to
Transfer from Reserve in Year	0	(1,794)	pay 3 years contribution upfront in order to generate a saving. This
Transfers Between Reserves	0	0	is a negative reserve contributions from the revenue budget over
Balance at End of Year	196	(1,598)	the next two years will return the reserve to nil.
Public Holiday			
Balance at Start of Year	64	214	To smooth peaks in overtime expenditure due when bank holidays
Transfer to Reserve in Year	150	75	fall across financial years. In years where the timing of Easter
Transfer from Reserve in Year	0	(289)	means that there are less than the average of 8 public holidays in
Transfers Between Reserves	0	0	the year, a contribution is made to the reserve. In years where
Balance at End of Year	214	0	there are more, funds are drawn from the reserve.
Short Term Project Reserves			
Balance at Start of Year	1,375	2,482	To support a variety of locally managed initiatives granted under the
Transfer to Reserve in Year	1,636	1,518	scheme of devolved resource management. These are primarily
Transfer from Reserve in Year	(529)	(1,181)	multi-year technology based projects or resources to provide
Transfers Between Reserves	0	0	funding for unbudgetted costs within the 2015/16 financial year.
Balance at End of Year	2,482	2,819	
Total Revenue Reserves			
Balance at Start of Year	12,705	16,795	Total of all reserves earmarked for revenue purposes (as set out
Transfer to Reserve in Year	5,191	4,629	above).
Transfer from Reserve in Year	(1,101)	(4,443)	
Transfers Between Reserves	0	(3,137)	
Balance at End of Year	16,795	13,844	
Capital Reserves			
Balance at Start of Year	8,860	10,870	The capital reserve holds direct contributions from the revenue
Transfer to Reserve in Year	2,010	851	budget to fund capital schemes within the approved capital
Transfer from Reserve in Year	0	(6,315)	programme. Capital reserves are set at a level to ensure that the
Transfers Between Reserves	0	3,137	programme is fully funded for the life of the medium term financial
Balance at End of Year	10,870	8,543	forecast (4 years).

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	Vehicles	PCC/Group IT and Technology	Furniture Equipment & Plant	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in P.P.E.
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
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
At 31 March 2015	52,371	9,292	24,998	3,774	4,573	95,008	7,776
Accumulated Depreciation & Impairment							
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
Depreciation as at 31 March 2015	(2,435)	(6,068)	(19,697)	(2,579)	0	(30,779)	(349)
Net Book Value							
At 31 March 2015	49,936	3,224	5,301	1,195	4,573	64,229	7,427
At 31 March 2014	52,681	2,003	4,900	457	709	60,750	7,594



Notes to the Accounts

The comparative figures for 2013/14 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
Cost or Valuation							
At 1 April 2013	53,036	8,182	21,580	2,892	120	85,810	7,576
Reclassification Adjustment	0	0	66	0	0	66	0
Additions	0	636	1,524	58	589	2,807	0
Enhancements	418	0	0	0	0	418	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	490	0	0	0	0	490	200
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	106	0	0	0	0	106	0
Derecognition - Disposals	0	(995)	0	0	0	(995)	0
At 31 March 2014	54,050	7,823	23,170	2,950	709	88,702	7,776
Accumulated Depreciation & Impairment							
At 1 April 2013	(1,833)	(5,893)	(16,248)	(2,367)	0	(26,341)	(406)
Depreciation Charge	(1,324)	(922)	(2,023)	(126)	0	(4,395)	(164)
Depreciation on Disposals	0	995	0	0	0	995	0
Depreciation written out to the Revaluation Reserve	1,394	0	0	0	0	1,394	388
Depreciation written out to the Surplus/Deficit on the Provision of Services	394	0	0	0	0	394	0
Depreciation as at 31 March 2014	(1,369)	(5,820)	(18,271)	(2,493)	0	(27,953)	(182)
Net Book Value							
At 31 March 2014	52,681	2,003	4,900	457	709	60,750	7,594
At 31 March 2013	51,203	2,289	5,332	525	120	59,469	7,170



6.a Valuations Rolling Programme

The Commissioner carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at [fair value](#) is revalued at least every five years. Valuations of land and buildings are carried out on behalf of the Commissioner by Mr. C. Smith Bsc MRICS of Carigiet Cowen and were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on historic cost as a proxy for fair value. The basis of the valuations is set out in the statement of accounting policies on page 83. 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
	Land and Buildings	Vehicles	IT and Technology	Furniture Equipment & Plant	Assets Under Construction	Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s
Carried at Historical Cost	202	9,292	24,998	3,545	4,573	42,610
Valued at Fair Value as at:						
- 31 March 2015	7,173	0	0	0	0	7,173
- 31 March 2014	37,879	0	0	0	0	37,879
- 31 March 2013	7,087	0	0	0	0	7,087
- 31 March 2012	0	0	0	229	0	229
- 31 March 2011	30	0	0	0	0	30
Total Cost or Valuation	52,371	9,292	24,998	3,774	4,573	95,008

6.b Impairment Review

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

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

A brief analysis of the Commissioner's principal assets as at 31 March 2015 is set out below:

Property, Plant and Equipment in Ownership of PCC	PCC/Group As at 31 March	
	2014 Number	2015 Number
HQ, TPA HQ & Larger Police Stations	9	9
Other Police Stations	13	11
Police Houses and other Properties	16	13
Surplus Properties/ Held for Sale/ Investment Properties	1	6
Vehicles	375	416
Total	414	455

Notes to the Accounts

The table at 6c shows an increase in the number of vehicles at the end of March 2015 compared to that at the end of March 2014. This increase is purely a timing difference whereby at the balance sheet date new vehicles have been received and are being commissioned to replace vehicles which have still to be decommissioned and disposed of.

6.d Effects of Changes in Estimates

There have been no material changes in estimates in the 2014/15 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 2015.

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

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

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

Note in 2014/15 £94k (£49k in 2013/14) 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 £24k (£458k in 2013/14) rather than £118k (£507k in 2013/14) 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 2014/15 with comparative information for 2013/14.

Assets Held for Sale	PCC/Group As at 31 March	
	2014 £000s	2015 £000s
Balance outstanding at start of year	416	0
Newly classified as held for sale	0	908
Revaluation gains/(losses)	0	(167)
Reversal of Impairment losses	0	55
Assets sold	(416)	0
De-classified as held for sale	0	0
Balance outstanding at end of year	0	796



At 31 March 2015 a total of 4 properties were classified as **held for sale**: Maryport Police Station (pictured), Wigton Police Station, Police House at Ambleside and a former police house in Penrith which has been sold to the Police Federation in early April 2015.

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 2015 (with comparatives for 2013/14) is set out in the table below:

Intangible Assets	PCC/Group	
	2013/14 £000s	2014/15 £000s
Balance at start of year		
- Gross carrying amount	4,997	5,017
- Accumulated amortisation	(3,736)	(4,374)
Net carrying amount at start of year	1,261	643
Reclassification Adjustment	(66)	0
Additions	86	149
Disposals	0	0
Amortisations for the period	(637)	(306)
Amortisation adjustment re disposals	0	0
Net carrying amount at end of year	643	486
Comprising		
- Gross carrying amount	5,017	5,166
- Accumulated amortisation	(4,374)	(4,680)
	643	486

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	
	2013/14 £000s	2014/15 £000s
Local Policing	287	138
Dealing with the Public	69	33
Criminal Justice Arrangements	72	35
Road Policing	42	20
Specialist Operations	20	9
Intelligence	43	21
Specialist Investigations	81	39
Investigative Support	16	8
National Policing	7	3
	637	306

*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	
	2014 £000s	2015 £000s
Balance at the start of the year	(5,382)	(5,306)
Repayments made during year	76	86
Balance at the end of the year	(5,306)	(5,220)
Split of liability		
Current Liability	(86)	(98)
Long Term Liability	(5,220)	(5,122)
	(5,306)	(5,220)

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	98	646	553	1,297
Between two and five years	538	2,438	2,341	5,317
Between six and ten years	1,182	2,538	3,400	7,120
Between eleven and fifteen years	3,402	562	1,052	5,016
	5,220	6,184	7,346	18,750

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 29) 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 £31 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	
	2014	2015
	£000s	£000s
Not later than one year	189	227
Later than one year and not later than five years	139	124
Later than five years.	3,379	3,464
	3,707	3,815

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
	2013/14	2014/15
	£000s	£000s
Minimum Lease Payments		
- Land and Buildings	154	175
- Equipment	66	74
	220	249



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 2015 is set out in the table below:

Short-term Debtors	PCC		Group	
	As at 31 March		As at 31 March	
	2014	2015	2014	2015
	£000s	£000s	£000s	£000s
Central Government Bodies	3,971	4,589	3,971	4,589
Other Police / Local Authorities	485	569	485	569
NHS Bodies	68	69	68	69
Public Corporations & Trading Funds	9	1	9	1
Other Entities and Individuals (see below)	5,269	6,706	5,269	6,706
Impairment (Provision for Bad Debts)	(866)	(894)	(866)	(894)
Other Entities and Individuals (Net of Impairment)	4,403	5,812	4,403	5,812
Balances Owed From Chief Constable:				
- Re CC Share of External Creditors	8,211	8,451	0	0
- Re balance of Funding	3,204	4,543	0	0
Total Debtors	20,351	24,034	8,936	11,040

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	
	2014	2015	2014	2015
	£000s	£000s	£000s	£000s
Police Pensioners Prepayment	2,018	2,104	2,018	2,104
Goods and Services	354	257	354	257
Prepayments/Payments In Advance	1,027	2,285	1,027	2,285
Employees (accumulated compensating absences)	109	216	109	216
Local Taxpayers (#)	1,761	1,844	1,761	1,844
	5,269	6,706	5,269	6,706
Less - Provision for Bad Debts (Goods & Services)	(4)	(1)	(4)	(1)
Less - Provision for Bad Debts (Local Taxpayers) (#)	(862)	(893)	(862)	(893)
	(866)	(894)	(866)	(894)
Other Entities and Individuals (Net of Impairment)	4,403	5,812	4,403	5,812

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

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 2015 is set out in the table below:

Short-term Creditors	PCC		Group	
	As at 31 March		As at 31 March	
	2014	2015	2014	2015
	£000s	£000s	£000s	£000s
Central Government Bodies	(1,847)	(1,821)	(1,847)	(1,821)
Other Police / Local Authorities	(960)	(327)	(960)	(327)
NHS Bodies	(4)	(19)	(4)	(19)
Public Corporations & Trading Funds	0	0	0	0
Other Entities and Individuals (see below)	(7,922)	(8,830)	(7,922)	(8,830)
Balances Owed to Chief Constable:				
- Re CC Share of External & Employee Debtors	(2,986)	(4,464)	0	0
- Re balance of Funding	(5,557)	(6,981)	0	0
Total Creditors	(19,276)	(22,442)	(10,733)	(10,997)

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	
	2014	2015	2014	2015
	£000s	£000s	£000s	£000s
Goods and Services	(3,438)	(4,999)	(3,438)	(4,999)
Receipts In Advance	(338)	(170)	(338)	(170)
Employees (accumulated compensating absences)	(3,471)	(2,918)	(3,471)	(2,918)
Local Taxpayers	(675)	(743)	(675)	(743)
Other Entities and Individuals	(7,922)	(8,830)	(7,922)	(8,830)

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 2015 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 relates to a liability that exists in respect of termination benefits as a result of a decision 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 group provisions and the position as at 31 March 2015.

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)
MMI Insurance Claims	0	0	0	0	0
Total Provisions	(790)	(849)	204	5	(1,430)

The comparative information for year ended 31 March 2014 is as follows:

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

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 90 to 94.

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 a two 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 95 to 104.

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 5% of budgeted expenditure, the following reserves are maintained and accounted for in line with the Code of practice.

- [Capital Receipts](#) Reserve – this reserve is used to hold capital receipts until they are utilised to finance capital expenditure or reduce borrowing.
- Capital Grants Unapplied Account – this reserve is used to hold capital grants until they are utilised to finance capital expenditure.
- Capital Reserve – this reserve is a revenue backed earmarked reserve that has been set aside to fund capital expenditure.
- [Earmarked Reserves](#) - The Commissioner has a number of 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 35-36).

The movement in the Commissioner's Group and Single Entity Usable Reserves is detailed in the Movement in Reserves Statement (see pages 21 and 22), 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 2014/15 and the previous year are set out in the table below:

Revaluation Reserve	PCC/Group 2013/14 £000s	PCC/Group 2014/15 £000s
Balance at Start of Year	7,095	8,980
Upward revaluation of assets	2,173	335
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(289)	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	1,884	335
Difference between fair value depreciation and historical cost depreciation	1	0
Amount written off to Capital Adjustment Account	1	0
Balance at End of Year	8,980	9,315

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 2014/15 and the previous year are set out in the table below:

Capital Adjustment Account	PCC/Group 2013/14 £000s	PCC/Group 2014/15 £000s
Balance at Start of Year	36,460	35,155
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	(4,395)	(4,081)
Revaluation gains/(losses) on Property, Plant and Equipment	500	(1,288)
Amortisation of Intangible assets	(637)	(306)
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	(416)	0
	(4,948)	(5,675)
Adjusting amounts written out of the Revaluation Reserve	(1)	0
Net written out amount of the cost of non-current assets consumed in the year	(4,949)	(5,675)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	600	1,067
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	739	521
Application of grants to capital financing from the Capital Grants Unapplied Account	49	0
Statutory provision for the financing of capital investment charged against the General Fund	383	362
Capital expenditure charged against the Police Fund	1,873	7,829
	3,644	9,779
Balance at End of Year	35,155	39,259

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 2014/15 and the previous year are set out in the table below:

Collection Fund Adjustment Account	PCC/Group	PCC/Group
	2013/14	2014/15
	£000s	£000s
Balance at Start of Year	447	373
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	(74)	210
Balance at End of Year	373	583

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
	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s
Balance 1 April per 2012/13 Statement of Accounts (unusable Reserves)	(25)	(26)	(3,670)	(3,362)
Settlement or cancellation of accrual made at the end of the preceeding year	25	26	3,670	3,362
Amounts accrued at the end of the current year	(26)	(17)	(3,362)	(2,701)
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	(1)	9	308	661
Balance at End of Year	(26)	(17)	(3,362)	(2,701)

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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(966)	(563)	(29,770)	(17,339)	(1,010,490)	(999,400)
Adjustment to Opening Balance	0	61	0	0	0	0
Adjusted Balance at Start of Year	(966)	(502)	(29,770)	(17,339)	(1,010,490)	(999,400)
Remeasurement of the net defined pension benefit liability/asset	475	(326)	14,623	(15,615)	51,350	(105,250)
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	(168)	(106)	(5,145)	(3,985)	(65,890)	(63,910)
Employer's pension contributions and direct payments to pensioners payable	96	138	2,953	4,762	25,630	25,990
Balance at End of Year	(563)	(796)	(17,339)	(32,177)	(999,400)	(1,142,570)

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 23). 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 2014/15 financial year. The total members allowances paid in 2014/15 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 2014/15 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 95-104.

The amounts received in respect of council tax income from the 6 Cumbrian District Councils are detailed in note 26.

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).
- 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 2013/14 £000s	PCC/Group 2014/15 £000s
Basic Allowance		9	9
Travel and Subsistence		7	8
		16	17

The above table includes for 2013/14 the 4 appointed members of the Joint Audit and Standards Committee together with travel allowances payable to independent custody visitors. During 2014/15 an Ethics and Integrity Panel was established which consists of 4 members. 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>

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 2014/15 and the second provides comparatives for 2013/14.

The comparative note provided for 2013/14 includes the costs of the temporary Chief Constable who was suspended on full pay in September 2012 and remained suspended until September 2013, at which time he returned to his substantive role as Deputy Chief Constable before retiring from service in December 2013. A Temporary Chief Constable was seconded from Merseyside Police to cover the role until the new Chief Constable was appointed in August 2014. The seconded Chief Constable continued to be paid by the Police and Crime Commissioner for Merseyside. Merseyside have recharged costs of this secondment amounting to £71k to the Police and crime Commissioner for Cumbria for the period April 2014 to July 2014, these costs are included in the accounts of the Chief Constable as third party related expenditure rather than as employee costs and are therefore excluded from the table below.

Notes to the Accounts

The table below gives the PCC and Group information for 2014/15 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowan ces	Termination Pay & Compensation for Loss of Office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Police & Crime Commissioner									
Police & Crime Commissioner		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	1	0	91	11	102
Total PCC		228	3	0	2	0	233	29	262
Shown in Single Entity Statements of Chief Constable									
Chief Constable	1	128	7	0	0	3	139	31	169
Deputy Chief Constable	2	110	8	0	0	2	119	27	146
Temporary Assistant Chief Constable	3	93	6	0	0	0	98	20	119
Chief Superintendent (A)	4	78	1	0	1	3	83	19	102
Chief Superintendent (B)	5	9	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	62	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	90
Director of Corporate Improvement		71	1	0	0	0	72	9	81
Director of Legal Services		71	1	0	1	0	74	9	83
Total CC		985	31	10	7	23	1,056	202	1,259
Total Group		1,214	34	10	9	23	1,289	231	1,520

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

The comparative PCC and Group figures for 2013/14 in £000s, are set out in the table below:

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowan ces	Termination Pay & Compensation for Loss of Office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Police & Crime Commissioner									
Police & Crime Commissioner		65	3	0	6	0	74	7	81
PCC Chief Finance Officer		75	0	0	0	0	75	8	83
PCC Chief Executive		88	1	0	1	0	90	10	100
Total PCC		228	4	0	7	0	239	25	264
Shown in Single Entity Statements of Chief Constable									
Temp. Chief Constable	1	91	1	9	5	3	109	13	122
Temp. Deputy Chief Constable (A)	2	108	4	0	3	2	117	26	143
Deputy Chief Constable (B)	3	108	7	0	0	3	118	26	144
Chief Superintendent (A)	4	29	1	0	0	5	35	7	42
Chief Superintendent (B)		79	1	0	2	5	87	19	106
Chief Superintendent (C)	5	33	1	0	0	1	35	8	43
Chief Superintendent (D)		79	2	0	0	0	81	19	100
Superintendent		73	2	0	1	3	79	18	97
CC Chief Finance Officer		56	0	0	0	0	56	6	62
Director of Corporate Support		77	0	0	0	0	77	8	85
Director of Corporate Improvement		71					71	8	79
Director of Legal Services		71	1	0	1	0	73	8	81
Total CC		875	20	9	12	22	938	166	1,104
Total Group		1,103	24	9	19	22	1,177	191	1,368

Notes:

- 1 Temporary Chief Constable (A) was suspended on full on full pay in September 2012 and remained under suspension until September 2013, at which time he returned to his substantive role as Deputy Chief Constable before retiring from office in December 2013.
- 2 Temporary Deputy Chief Constable (A) was in post as Temporary DCC until 09/09/13 and then reverted to the role of Assistant Chief Constable.
- 3 Deputy Chief Constable (B) was in post as Assistant Chief Constable until 01/01/14 and was then appointed to the role of Deputy Chief Constable.
- 4 Chief Superintendent A retired from office on 13/08/13
- 5 Chief Superintendent C resigned from office on 01/09/13

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	2013/14				2014/15			
	PCC	CC	CC	Group	PCC	CC	CC	Group
	Police Staff	Police Staff	Snr Police Officers	Total	Police Staff	Police Staff	Snr Police Officers	Total
£50,000 to £54,999	3	3	0	6	0	2	0	2
£55,000 to £59,999	3	1	0	4	1	3	0	4
£60,000 to £64,999	0	2	0	2	0	0	0	0
£65,000 to £69,999	0	2	0	2	1	0	1	2
£70,000 to £74,999	4	0	0	4	1	3	0	4
£75,000 to £79,999	1	0	1	2	0	1	1	2
£80,000 to £84,999	0	0	1	1	0	0	1	1
£85,000 to £89,999	1	0	0	1	1	0	0	1
£90,000 to £94,999	0	0	0	0	0	0	1	1
£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	1	1	0	0	0	0
£110,000 to £114,999	0	0	2	2	0	0	1	1
£115,000 to £119,999	0	0	0	0	0	0	0	0
£120,000 to £124,999	0	0	0	0	0	0	0	0
£125,000 to £129,999	0	0	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	0	0	1	1
Total	12	8	5	25	4	9	6	19

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

In 2014/15 the remuneration for 74 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 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)	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	
	2013/14 Headcount	2014/15 Headcount	2013/14 Headcount	2014/15 Headcount	2013/14 Headcount	2014/15 Headcount	2013/14 £000's	2014/15 £000's
£0-£20,000	12	2	12	0	24	2	292	23
£20,001 - £40,000	3	2	6	1	9	3	245	102
£40,001 - £60,000	1	0	2	0	3	0	161	0
£60,001 - £80,000	1	0	1	0	2	0	122	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	17	4	21	1	38	5	820	125

23 Termination Payments

During 2014/15 the contracts of a number of employees were terminated incurring termination payments amounting to £675k (£671k in 2013/14). As this amount is significant in terms of the 2014/15 accounts the amount has been shown as a separate item on the face of the Comprehensive Income and Expenditure Statement (page 23).

This amount is made up exit packages paid in 2014/15 and a provision for exit packages to be paid in 2015/16 where the decision to terminate employment has been made in 2014/15.

The exit packages paid in 2014/15 amount to £125k (£820k in 2013/14). The exit packages can be further split into compensation for loss of employment £125k (£645k in 2013/14) and enhanced pension benefits £0k (£175k in 2013/14). 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 2014/15 and those agreed for individuals in 2014/15 but paid in 2015/16 for which an [accrual](#) was made in the 2014/15 accounts.

A further amount of £555k (£45k in 2013/14) has been 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 can be made of amount of the probable obligation. This amount is netted down by costs charged against the provision in respect of 2013/14 decisions provided for at the year-end where the payment was actually made in 2014/15 of £5k (£194k in 2013/14), providing a net movement on the provision of £550k (-£149k in 2013/14).

24 Audit Fees

In 2014/15 the Commissioner and Chief Constable incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	Group 2013/14 £000s	Group 2014/15 £000s
Amounts Relating to The Police and Crime Commissioner		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	40	40
Rebate from Audit Commission in year.	(6)	(4)
	34	36
Amounts Relating to The Chief Constable		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	20	20
Rebate from Audit Commission in year.	(2)	(2)
	18	18
Other Services		
Fees payable in respect of <i>other services</i> provided by Grant Thornton during the year.	0	7
Total External Audit Fees for Year	52	61

The table above includes fees paid in relation to 'other services'. These fees payable in 2014/15 related to an annual contract (starting in 2014/15) for the provision of specialist VAT and Tax advice and to 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 2014/15.

Grant Income	PCC/Group	
	2013/14 £000s	2014/15 £000s
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions - General	840	866
Capital grants and contributions - Mobile Data	49	0
Capital grants and contributions - HO Innovation	0	521
Formula Funding	33,939	32,340
Council Tax Freeze & Local Council Tax Support Support (DCLG)	4,944	4,850
Home Office Police Grant	31,891	30,769
PFI Grant	688	688
Home Office Pension Grant (Police)	14,758	15,169
TOTAL	87,109	85,203
Credited to Services		
<i>Grants and Contributions - Central Government</i>		
ACPO Special Operations (ACPO)	15	10
Community Safety Grant (Home office)	436	0
Criminal Records Bureau (Home Office)	235	239
Dedicated Security Posts (Home Office)	146	176
Innovation Fund (Home Office)	42	0
Mobile Data (NPIA)	92	0
Northern Chain (Home Office)	2	0
Prison Liason (ACPO)	63	0
Victims Services (Ministry of Justice)	22	334
Collaborations (Various)	0	161
	1,053	920
<i>Grants and Contributions - Other</i>		
Local Partnership	225	41
Youth Offending Team (Cumbria CC)	97	99
	322	140
TOTAL	1,375	1,060

26 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 2014/15 is received as precept from the six district councils as set out below:

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
	33,605	210	33,815

The comparative information for 2013/14 is as follows:

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

27 Contingent Liabilities

Insurance Claims

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

Prior to 1992, the former Police Authority was insured through Municipal Mutual Insurance Ltd (MMI) as part of Cumbria County Council's wider insurance contract. In September 1992, MMI ceased underwriting operations and a scheme of arrangement was put in place to achieve a solvent run off of the company's assets in meeting future claims arising from the period where MMI provided insurance cover, in which Cumbria County Council agreed to participate. On the 13 November 2012 the directors of MMI announced that achievement of a solvent run off would not be possible, which triggered MMI's Scheme of Arrangement (the Scheme), which sets out the arrangements for the administration of MMI's liabilities in the event that a solvent run off was not achieved. Following a subsequent actuarial review of liabilities an initial levy of 15% was imposed on all claims settled on behalf of Authorities since 1993 and that future claims will be settled at a reduced rate. This resulted in a liability for the Commissioner of £45k which was settled in 2013/14.

An actuarial review of insurance liabilities as at 31 March 2015 has indicated that based on the latest claims information the Commissioner has not incurred any further material liability in relation to historic MMI claims. However, the Commissioner will be liable for the levy of 15% from future claims attributable to him and there is the potential that the levy percentage will need to be revised, dependent on the overall level of future claims, which would further impact on the Commissioner's liability. The Commissioner maintains an insurance reserve to meet unknown insurance liabilities which, will be used, in part, to meet further liabilities arising from the MMI Scheme.

Redundancy Costs

In response to future reductions in government funding it will be necessary to further reduce the number of police staff. It is anticipated that the reduction will be primarily achieved through a combination of voluntary and compulsory redundancies. Redundancy costs arising from decisions made up to 31 March 2015 have been recognised in the 2014/15 Comprehensive Income and Expenditure Statement, however a number of reviews are currently ongoing which could give rise to further redundancy costs, although no firm decisions have been made as yet. It is anticipated that future redundancy costs will be met from the earmarked reserve set up for management of change costs in the Commissioner's accounts, the balance of which stood at £1,683k at 31 March 2015 (£1,677k at 31 March 2014).

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 case is that police injury benefits should no longer be reduced by entitlement to social security benefits (employment support allowance). At this stage it is unclear if the decision will have a retrospective impact on police organisations or if the change will be implemented on a future claims basis only. In the absence of further guidance from the Home Office and Department for Work and Pensions, this matter has been treated as a contingent liability in the 2014/14 statement of accounts.

Employment Appeal Tribunal

There has been a recent Employment Appeal Tribunal case (Bear Scotland v Fulton and others UKATS/0047/13), regarding the recognition of regular voluntary overtime and allowances as a part of police officer holiday pay. This could have a financial effect as overtime is a significant element of police budgets and is currently not incorporated into paid holiday in the way indicated by the outcome of the case. At this stage the impact of the decision on police organisations is unclear and police forces will be working together, through the CIPD network, to ensure that any approach which might be taken is consistent. Further guidance from the Home Office is awaited and at the date of preparation of the accounts it is not possible to accurately quantify any potential liability, consequently this matter has been treated as a contingent liability in the 2014/15 statement of accounts.

28 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 2014/15 was approved by the Commissioner at his Executive Board Meeting on 24 February 2014. The capital strategy report can be found on the Commissioner's website at:

<http://www.cumbria->

pcc.gov.uk/media/22533/REVISED%20Combined%20papers%20for%20Exec%20Board%2024.02.2014.pdf

The capital programme for 2014/15 included a major estates project to provide a new TPA HQ at Barrow, the project is progressing well and the building is due to be completed and become operational in Autumn 2015. The capital outturn report for 2014/15 was approved by the Commissioner on 27 May 2015 and can also be found on the Commissioner's website at: 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	
	2013/14 £000s	2014/15 £000s
Technology Schemes		
Case & Custody System	0	354
Computer Hardware & Infrastructure	994	868
Mobility & Digitisation	49	468
Wide Area Network (WAN)	0	293
Other Technology Schemes	481	127
	1,524	2,110
Vehicles Replacement Scheme	636	2,163
Building Schemes		
South Estate - Barrow	590	3,864
Other Building Schemes	418	349
	1,008	4,213
Equipment Schemes		
County Wide CCTV System	0	595
Other Equipment Schemes	58	229
	58	824
Intangible Assets	85	149
Total Capital Expenditure	3,311	9,459

28.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	
	2013/14 £000s	2014/15 £000s
Opening Capital Financing Requirement	17,690	17,357
<i>Capital investment</i>		
Property, Plant and Equipment	3,226	9,310
Intangible Assets	85	149
<i>Sources of Finance</i>		
Capital receipts	(600)	(1,067)
Government grants and other contributions	(788)	(521)
Sums set aside from revenue:		
- Direct revenue contributions	(1,873)	(7,829)
- Minimum revenue provision	(383)	(362)
Closing Capital Financing Requirement	17,357	17,037
<i>Explanation of Movements in Year</i>		
Increase in underlying need to borrow (unsupported by government financial assistance)	(333)	(320)
Increase/(decrease) in Capital Financing Requirement	(333)	(320)

29 Capital Commitments

The Commissioner has outstanding contractual commitments amounting to £4,768k in respect of a number of schemes from the 2014/15 capital programme (£8,470k in 2013/14).

Outstanding Capital Commitments	PCC/Group As at 31 March	
	2014 £000s	2015 £000s
South Estate - Barrow	7,536	3,825
Vehicle Replacement	406	277
Case and Custody	0	321
CCTV	0	330
Other Capital Commitments	528	15
Total	8,470	4,768

30 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 2012 as part of the Treasury Management Strategy Statement. The policy states that MRP will be calculated using the regulatory method for debt incurred prior to 1 April 2008 and on the asset life basis for debt incurred after this date. In respect of PFI assets brought onto the balance sheet under the 2009 SORP, the MRP provision will match the annual principal repayment for the associated deferred liability.

The Minimum Revenue Provision charged for the year 2014/15 (and comparatives for 2013/14) is made up as follows:

Minimum Revenue Provision	PCC/Group 2013/14 £000s	PCC/Group 2014/15 £000s
Minimum Revenue Provisions (MRP)		
Core MRP	307	276
PFI MRP	76	86
Total MRP for Year	383	362

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

For 2014/15 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011) (implementation has been deferred until 2015/16);
- Annual Improvements to IFRSs (2011-2013 cycle):
 - IFRS 1 Meaning of effective IFRSs;
 - IFRS 3 Scope exceptions for joint ventures;
 - IFRS 13 Scope of paragraph 52 (portfolio exception);
 - IAS40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment property when classifying property as investment property or owner/occupied property;

In the Financial Statements for 2015/16, 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 2014/15 financial year together with comparative information for 2013/14.

Police Officer Pension Fund Account	Group 2013/14 £000s	Group 2014/15 £000s
Contributions Receivable		
Employer		
- Contributions at 24.2% of Pensionable Pay	(9,772)	(9,794)
Officers' Contributions		
- 1987 Scheme Member Contributions (see narrative for rates)	(4,467)	(4,447)
- 2006 Scheme Member Contributions (see narrative for rates)	(810)	(1,068)
	(15,049)	(15,309)
Transferees in from Other Schemes	(298)	(80)
Capital Equivalent charge for ill-health schemes	(469)	(364)
	(767)	(444)
Benefits Payable		
Recurrent Pensions	22,791	24,015
Commutations and Lump Sums	7,601	6,477
Other (Scheme Pays)	0	11
	30,392	30,503
Payments to and on Account of Leavers		
Refund of Contributions	9	3
Transfer out to other schemes	173	416
	182	419
Net Amount Payable for the Year	14,758	15,169
Additional Contribution from the Police & Crime Commissioner	(14,758)	(15,169)
Net Amount Payable (Receivable) for the Year	0	0

Net Assets Statement

This statement shows the net assets and liabilities of the scheme as at 31 March 2015.

Pension Fund Net Assets & liabilities	Group 2013/14 £000s	Group 2014/15 £000s
Current Assets		
Pensions Benefits paid in advance	2,018	2,104
Current Liabilities		
Amount due to the Police & Crime Commissioner	(2,018)	(2,104)
	0	0

Accounting Policies

The Police Pension Fund Accounts have been prepared in accordance with the requirements of the Police Pension Fund Regulations 2007 (SI 2007 No 1932). The Pensions Fund Accounts are administered by the Chief Constable and have been prepared on an accruals basis.

Operation of Police Pensions Schemes

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 new scheme and the previous scheme has been closed to new members. Officers who are members of the old scheme are allowed by regulation to become members of the new (2006) scheme if they so wish. Members' contribution rates for 2014/15 were between 11% and 12.75% (10.7%-12% in 2013/14) for the 2006 scheme and between 14.25% and 15.05% (13.5%-14% in 2013/14) for the old scheme. The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 24). 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 95-104).

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 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 will range 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 24.2% of pensionable pay, which, along with the employee contributions and any transfer values, is paid into the pensions account. The employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to periodic revaluation by the Government Actuary's Department. Pensions are then paid from this account. The pensions account is balanced to nil annually, with any shortfall met by a top up from the Commissioner, or vice versa. However, the Home Office indemnify the Commissioner against any financial liability arising from a deficit on the Pension Account by providing a grant to the Commissioner equal to the Commissioner's top up. Similarly, any surplus on the Pension Account is ultimately repayable to the Home Office.

Glossary of Terms

Accruals

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

ACPO

The Association of Chief Police Officers.

Actuarial Valuation

A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, 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

DCLG

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

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 2014/15 financial year and the financial position at the 31 March 2015. The Police and Crime Commissioner and [Chief Constable](#) are each required to prepare an annual Statement of Accounts (single entity) in accordance with the Accounts and Audit Regulations 2011 which stipulate that the statements be prepared in accordance with proper accounting practices. Those practices primarily comprise the [CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 \(the Code\)](#) and the [Service Reporting Code of Practice 2014/15 SERCOP](#), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The [Commissioner](#) is responsible for combining the single entity statements to form a set of consolidated group accounts.

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

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

2 Accruals of Income and Expenditure

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

- Revenue from the provision of services is recognised when the percentage completion of the transaction can be reliably measured and that it is probable that economic benefits or service potential associated with the transaction will flow.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories (stock) on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of [debtors](#) is written down and a charge made to revenue for the income that might not be collected.
- An [accrual](#) is made in respect of employee benefits payable during employment (see accounting policy 7 below for further details).

Accrual Example 1

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

Accrual Example 2

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

Annex A - Statement of Accounting Policies

3 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.

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.

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

Annex A - Statement of Accounting Policies

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.

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.

Annex A - Statement of Accounting Policies

8 Post-Employment Benefits

8.1 General

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

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 [fair 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 103.

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.

Annex A - Statement of Accounting Policies

- **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 95-104).

8.2 Police Officers

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

The original Police Pension Scheme (PPS) is governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The new Police Pensions Scheme (NPPS) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006).

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

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

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 68-69). 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.

Annex A - Statement of Accounting Policies

8.3 Police Staff

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

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

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

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

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

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

9 Events after the Balance Sheet Date

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

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

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

Annex A - Statement of Accounting Policies

10 Financial Instruments - Financial Liabilities

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

11 Financial Instruments - Financial Assets

Financial assets are classified into two types:

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

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

Where assets are identified as [impaired](#) because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. An example of such a charge would be the adjustment made to the [debtors](#) balance as a [provision](#) for bad debts (see note 11, page 46).

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

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

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

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

Annex A - Statement of Accounting Policies

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.

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.

Annex 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. 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.

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.

Annex A - Statement of Accounting Policies

15.3 Finance Leases (as Lessor)

There are currently no finance leases as a lessor.

15.4 Operating Leases (as Lessor)

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

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 2014/15 \(SERCOP\)](#). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

17 Property, Plant and Equipment

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

17.1 Recognition

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

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

Annex A - Statement of Accounting Policies

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

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

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

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

Annex A - Statement of Accounting Policies

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:

- 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.

Annex A - Statement of Accounting Policies

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 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.

Annex A - Statement of Accounting Policies

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. 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

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.

Annex A - Statement of Accounting Policies

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 43-44) 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 relevant risks and uncertainties. Details of provisions made during the year are shown in the notes to the accounts (note 13, page 48).

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

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

21.2 Contingent Liabilities

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

21.3 Contingent Assets

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

Annex A - Statement of Accounting Policies

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:

- (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 2014/15 a discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuaries for the Police and LGPS pension funds have advised that a rate of between 3.3% and 3.4% is appropriate.

23.2 Property Revaluations

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

Annex A - Statement of Accounting Policies

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 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 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Financial Assets								
Investments								
Loans and receivables	0	0	13,636	12,544	0	0	13,636	12,544
Debtors								
Financial assets carried at contract amounts	0	0	4,285	4,046	0	0	4,393	4,261
Total Financial Assets	0	0	17,921	16,590	0	0	18,029	16,805
Financial Liabilities								
Creditors								
Financial liabilities carried at contract amounts	0	0	(1,497)	(1,627)	0	0	(8,796)	(9,169)
Other Long-term Liability (PFI/Finance Lease)								
PFI & Finance Lease Liabilities	(5,220)	(5,122)	(89)	(98)	(5,220)	(5,122)	(89)	(98)
Total Financial Liabilities	(5,220)	(5,122)	(1,586)	(1,725)	(5,220)	(5,122)	(8,885)	(9,267)

A2 Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2014/15 relating to financial instruments are made up as follows:

Gains and Losses on Financial Instruments	PCC/Group 2013/14				PCC/Group 2014/15			
	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	669	0	669	0	658	0	658
Impairment Losses (Bad Debts Provision Increase)	(2)	0	0	(2)	0	0	0	0
Total Expenses in (Surplus) or Deficit on the Provision of Services	(2)	669	0	667	0	658	0	658
Interest Income	0	0	(148)	(148)	0	0	(155)	(155)
Impairment Gain (Bad Debts Provision Reduction)	0	0	0	0	3	0	0	3
Total Income in (Surplus) or Deficit on the Provision of Services	0	0	(148)	(148)	3	0	(155)	(152)
Net (Gain)/Loss for the Year	(2)	669	(148)	519	3	658	(155)	506

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 2015 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 2014		31 March 2015		31 March 2014		31 March 2015	
	Carrying Amount	Fair Value						
	£000s							
Financial Liabilities								
Creditors	(1,497)	(1,497)	(1,627)	(1,627)	(8,796)	(8,796)	(9,169)	(9,169)
Other Long-term Liabilities (PFI/Finance Lease)	(5,309)	(9,960)	(5,220)	(10,410)	(5,309)	(9,960)	(5,220)	(10,410)
	(6,806)	(11,457)	(6,847)	(12,037)	(14,105)	(18,756)	(14,389)	(19,579)
Financial Assets								
Investments	13,636	13,636	12,544	12,544	13,636	13,636	12,544	12,544
Debtors	4,285	4,285	4,046	4,046	4,393	4,393	4,261	4,261
	17,921	17,921	16,590	16,590	18,029	18,029	16,805	16,805

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 2014), also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria as set out in the 2014/15 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	Short Term: F2/P2 Long Term: A-/A1	The lower of £3m (per institution or group). Maximum of all deposits £18m.
Deposits with Money Market Funds	Long Term: AAA	£3m per fund. Maximum of all deposits £15m.
Deposits with Other Local Authorities	Not credit rated but are legally required to set a balanced budget.	£2m per authority. Maximum of all deposits – No Limit.
Deposits with Debt Management Agency Deposit Facility	Not credit rated but deposits have the best possible credit through the HM Government guarantee	No limit.

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 £13m 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 2015 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 31/03/15 £000s	Experience of Default %	Experience Adjusted for Market Conditions at 31/03/15	maximum exposure to default and uncollectability £000s	Estimated maximum exposure at 31/03/14 £000s
Customers - Operational Debtors	9,941	0.05%	0.02%	1	4

The Commissioner does not generally allow credit for customers. At the 31 March 2015, £118k of the £1,424k balance of operational debt was past the due date for payment. This sum has reduced from the balance at 31 March 2014 (£231k out of £1,362k overdue), as a consequence the Commissioner has reduced the bad debt provision as at 31 March 2015 from £4k to £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	
	2014 £000s	2015 £000s
Total Operational Debtors	7,191	9,941
Aged Debt past its due date by:		
1-30 Days	174	102
31-60 Days	27	3
61-90 Days	10	3
91-180 Days	5	2
181-360 Days	8	0
361+ Days	7	8
	231	118

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 2015 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 2014/15.

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 2014/15 the Commissioner made a contribution of 12.7% of pensionable pay supplemented by a contribution to past service costs for the group of £2,397k (£69k for the PCC single entity statements). The past service contribution made in 2014/15 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. (2014/15 contribution rates for employers were 24.2% of pensionable pay and was last reviewed in March 2007).

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

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

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		Group LGPS		Group Police Scheme Old Scheme		Group Police Scheme 2006 Scheme		Group Total Pension Schemes	
	Funded Benefits	Unfunded Benefits	Funded Benefits	Unfunded Benefits	Old Scheme	2006 Scheme	2006 Scheme	2006 Scheme	Total Pension	Total Pension
	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s
Comprehensive Income and Expenditure Statement										
<i>Cost of Services</i>										
<i>Service cost comprising:</i>										
• Current service cost	3,807	3,304	0	0	18,840	15,890	3,660	4,180	26,307	23,374
• (Gain)/loss from settlements	91	47	0	0	0	0	0	0	91	47
<i>Financing and Investment Income and Expenditure</i>										
• Net interest expense	1,201	583	46	51	42,330	42,610	1,060	1,230	44,637	44,474
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	5,099	3,934	46	51	61,170	58,500	4,720	5,410	71,035	67,895
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement										
<i>Remeasurement of the net defined benefit liability comprising:</i>										
• Return on plan assets (excluding the amount included in the net interest expense)	(2,778)	(9,639)	0	0	0	0	0	0	(2,778)	(9,639)
• Actuarial (gains) and losses arising on changes in demographic assumptions	2,455	0	8	0	(140)	(41,730)	(10)	(2,480)	2,313	(44,210)
• Actuarial (gains) and losses arising on changes in financial assumptions	(10,748)	25,048	(24)	116	(28,650)	167,480	(2,050)	6,940	(41,472)	199,584
• Experience (gains) and losses on liabilities	(3,665)	0	41	0	(19,830)	(20,640)	(670)	(4,320)	(24,124)	(24,960)
• Administration expenses	88	90	0	0	0	0	0	0	88	90
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(14,648)	15,499	25	116	(48,620)	105,110	(2,730)	140	(65,973)	120,865
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(9,549)	19,433	71	167	12,550	163,610	1,990	5,550	5,062	188,760
<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.	(5,099)	(3,934)	(46)	(51)	(61,170)	(58,500)	(4,720)	(5,410)	(71,035)	(67,895)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>										
• Employers' contributions payable to the scheme	2,888	4,695	65	67	0	0	0	0	2,953	4,762
• Retirement benefits payable to pensioners	0	0	0	0	26,600	27,070	(970)	(1,080)	25,630	25,990
Total amount charged against the Police Fund Balance for pensions in the year	2,888	4,695	65	67	26,600	27,070	(970)	(1,080)	28,583	30,752

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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	
	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s
Comprehensive Income and Expenditure Statement						
<i>Cost of Services</i>						
<i>Service cost comprising:</i>						
• Current service cost	124	88	0	0	124	88
• (Gain)/loss from settlements	3	0	0	0	3	0
<i>Financing and Investment Income and Expenditure</i>						
• Net interest expense	40	16	1	2	41	18
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	167	104	1	2	168	106
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement						
<i>Remeasurement of the net defined benefit liability comprising:</i>						
• Return on plan assets (excluding the amount included in the net interest expense)	(90)	(226)	0	0	(90)	(226)
• Actuarial (gains) and losses arising on changes in demographic assumptions	80	0	0	0	80	0
• Actuarial (gains) and losses arising on changes in financial assumptions	(349)	546	(1)	3	(350)	549
• Experience (gains) and losses on liabilities	(120)	0	2	0	(118)	0
• Administration expenses	3	3	0	0	3	3
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(476)	323	1	3	(475)	326
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(309)	427	2	5	(307)	432
<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.	(167)	(104)	(1)	(2)	(168)	(106)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>						
• Employers' contributions payable to the scheme	94	136	2	2	96	138
• Retirements benefits payable to pensioners	0	0	0	0	0	0
Total amount charged against the Police Fund Balance for pensions in the year	94	136	2	2	96	138

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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 2015 are as follows:-

Pension Scheme Assets & Liabilities	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme Old Scheme		Group Police Scheme 2006 Scheme	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(104,245)	(136,522)	(1,103)	(1,203)	(974,080)	(1,110,620)	(25,320)	(31,950)
Fair value of plan assets	88,009	105,548	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(16,236)	(30,974)	(1,103)	(1,203)	(974,080)	(1,110,620)	(25,320)	(31,950)

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 £1.175m (£1.017m at 31 March 2014) has a substantial impact on the net worth of the Commissioner as recorded in the group balance sheet, resulting in a negative overall balance of £1.096m (£0.938m at 31 March 2014).

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 2015 are as follows:

Pension Scheme Assets & Liabilities	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(3,387)	(3,248)	(36)	(35)
Fair value of plan assets	2,860	2,487	0	0
Net liability arising from defined benefit obligation	(527)	(761)	(36)	(35)

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Reconciliation of present value of scheme liabilities for the group:

Reconciliation of Scheme Liabilities	Group LGPS		Group LGPS		Group Police Scheme Old Scheme		Group Police Scheme 2006 Scheme	
	Funded Benefits		Unfunded Benefits		2013/14		2013/14	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(108,282)	(104,245)	(1,097)	(1,103)	(988,130)	(974,080)	(22,360)	(25,320)
Current service cost	(3,807)	(3,304)	0	0	(18,840)	(15,890)	(3,660)	(4,180)
Interest cost	(4,751)	(4,774)	(46)	(51)	(42,330)	(42,610)	(1,060)	(1,230)
Contributions by Scheme Participants	(1,124)	(1,161)	0	0	(4,470)	(4,450)	(810)	(1,070)
Remeasurement gains and (losses):								
- Arising from changes in demographic assumptions	(2,455)	0	(8)	0	140	41,730	10	2,480
- Arising from changes in financial assumptions	10,748	(25,048)	24	(116)	28,650	(167,480)	2,050	(6,940)
- Experience gains/(losses)	3,665	0	(41)	0	19,830	20,640	670	4,320
Gains/(losses) on curtailment	(91)	(47)	0	0	0	0	0	0
Benefits Paid/Transfers	1,852	2,057	65	67	31,070	31,520	(160)	(10)
Balance at End of Year	(104,245)	(136,522)	(1,103)	(1,203)	(974,080)	(1,110,620)	(25,320)	(31,950)

The liabilities under both the LGPS and Police Pension Schemes have increased during 2014/15. The principal reason for this increase is in relation to a change in financial assumptions

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

Reconciliation of Scheme Liabilities	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s
Balance at Start of Year	(3,518)	(3,387)	(36)	(36)
Adjustment to Opening Balance	0	882	0	4
Adjusted Balance at Start of Year	(3,518)	(2,505)	(36)	(32)
Current service cost	(124)	(88)	0	0
Interest cost	(155)	(114)	(1)	(2)
Contributions by Scheme Participants	(36)	(44)	0	0
Remeasurement gains and (losses):				
- Arising from changes in demographic assumptions	(80)	0	0	0
- Arising from changes in financial assumptions	349	(546)	1	(3)
- Experience gains/(losses)	120	0	(2)	0
Gains/(losses) on curtailment	(3)	0	0	0
Benefits Paid/Transfers	60	49	2	2
Balance at End of Year	(3,387)	(3,248)	(36)	(35)

The liabilities under both the LGPS and Police Pension Schemes have increased during 2014/15. The principal reason for this increase is in relation to a change in financial assumptions

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

Reconciliation of Scheme Assets	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits	
	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s
Balance at Start of Year	79,609	88,009	0	0
Interest Income	3,550	4,191	0	0
Remeasurements - Gains and (Losses)	2,778	9,639	0	0
Administration Expenses	(88)	(90)	0	0
Employer Contributions	2,888	4,695	65	67
Contributions by Scheme Participants	1,124	1,161	0	0
Benefits Paid	(1,852)	(2,057)	(65)	(67)
Balance at End of Year	88,009	105,548	0	0

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

Reconciliation of Scheme Assets	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s
Balance at Start of Year	2,588	2,860	0	0
Adjustment to Opening Balance	0	(825)	0	0
Adjusted Balance at Start of Year	2,588	2,035	0	0
Interest Income	115	98	0	0
Remeasurements - Gains and (Losses)	90	226	0	0
Administration Expenses	(3)	(3)	0	0
Employer Contributions	94	136	2	2
Contributions by Scheme Participants	36	44	0	0
Benefits Paid	(60)	(49)	(2)	(2)
Balance at End of Year	2,860	2,487	0	0

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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 2013/14		PCC 2014/15		Group 2013/14		Group 2014/15	
		£000s	%	£000s	%	£000s	%	£000s	%
Equities									
UK Quoted	Y	400	13.99%	341	13.71%	12,323	14.00%	14,460	13.70%
UK Unquoted	N	3	0.10%	0	0.00%	88	0.10%	0	0.00%
Global Quoted	Y	464	16.22%	453	18.21%	14,257	16.20%	19,211	18.20%
UK Equity Pooled	N	346	12.10%	124	4.99%	10,649	12.10%	5,277	5.00%
Overseas Equity Pooled	N	440	15.38%	395	15.88%	13,553	15.40%	16,782	15.90%
Bonds									
UK Corporate Bonds	Y	197	6.89%	174	7.00%	6,073	6.90%	7,388	7.00%
Overseas Corporate Bonds	Y	11	0.38%	10	0.40%	352	0.40%	422	0.40%
UK Corporate Bonds Pooled	N	112	3.92%	0	0.00%	3,432	3.90%	0	0.00%
UK Government Indexed Pooled	N	447	15.63%	458	18.42%	13,729	15.60%	19,422	18.40%
Property									
UK	Y	197	6.89%	179	7.20%	6,073	6.90%	7,599	7.20%
Property Funds	N	6	0.21%	85	3.42%	176	0.20%	3,589	3.40%
Alternatives									
Hedge Funds	N	6	0.21%	2	0.08%	176	0.20%	105	0.10%
Private Equity Funds	N	46	1.61%	42	1.69%	1,408	1.60%	1,794	1.70%
Infrastructure Funds	N	17	0.59%	127	5.11%	528	0.60%	5,383	5.10%
Real Estate Debt Funds	N	0	0.00%	10	0.40%			422	0.40%
Cash									
Cash Instruments	Y	3	0.10%	0	0.00%	88	0.10%	0	0.00%
Cash Accounts	Y	154	5.38%	82	3.30%	4,752	5.40%	3,483	3.30%
Net Current Assets	N	11	0.38%	5	0.20%	352	0.40%	211	0.20%
		2,860	100.00%	2,487	100.00%	88,009	100.00%	105,548	100.00%

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.

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The principal assumptions used by the actuary have been:

	LGPS		Police Scheme	
	2013/14	2014/15	2013/14	2014/15
Long-term Expected Rate of Return on Assets in the Scheme:				
- Equity Investments	7.00%	6.50%	N/A	N/A
- Government Bonds	3.40%	2.20%	N/A	N/A
- Other Bonds	4.30%	2.90%	N/A	N/A
- Property	6.20%	5.90%	N/A	N/A
- Cash / Liquidity	0.50%	0.50%	N/A	N/A
- Other	7.00%	6.50%	N/A	N/A
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	23.0	23.0	23.4	23.3
- Women	25.5	25.6	25.9	25.7
Longevity at 65 for future pensioners:				
- Men	25.7	25.8	25.6	25.4
- Women	28.7	28.8	28.0	27.9
Rate of Inflation (CPI)	2.4%	2.0-2.1%	2.5%	2.20%
Rate of increase in salaries	3.9%	3.5-3.6%	4.5%	4.20%
Rate of increase in pensions	2.4%	2.0-2.1%	2.5%	2.20%
Rate for discounting scheme liabilities	4.6%	3.3-3.4%	4.4%	3.30%

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

Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	PCC			Group		
	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme						
Longevity (1 Year increase in life expectancy)	61	3	2	2,514	96	87
Rate of Inflation (increase by 0.1%)	67	5	2	3,099	147	106
Rate of Increase in Salaries (increase by 0.1%)	15	0	1	940	0	34
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(65)	(3)	(1)	(3,031)	(140)	(74)

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Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Group	
	Police Pensions Old Scheme £000s	Police Pensions 2006 Scheme £000s
Assumption Sensitivity		
Longevity (1 Year increase in life expectancy)	27,000	600
Rate of Increase in Pensions (increase by 0.5%)	102,000	2,700
Rate of Increase in Salaries (increase by 0.5%)	16,000	2,400
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(124,000)	(5,600)
Early retirement (each member retiring 1 year earlier than expected)	(5,000)	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 is due to be completed on 31 March 2016.

The pension schemes will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS and the other main existing public service schemes in England and Wales (which includes the Police Pension schemes) may not provide benefits in relation to service after 31 March 2014 (after 31 March 2015 for other main public service schemes e.g. Police Pension Schemes). This means that the LGPS 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 2016 are £2,458k (PCC single entity £73k). Expected contributions for the Police Pension Scheme in the year to 31 March 2016 are £10,107k.

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	2013/14 Years	2014/15 Years
Pensions Scheme		
Local Government Pension Scheme	23	20-22
Police Pension -Old Scheme	21	22
Police Pension -2006 Scheme	37	33

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
		2013/14	2013/14	2013/14	2014/15	2014/15	2014/15
		Gross	Gross	Net	Gross	Gross	Net
		Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Police Pay & Allowances		31,780	0	31,780	32,105	0	32,105
PCSO Pay & Allowances		2,570	0	2,570	2,468	0	2,468
Police Staff Pay & Allowances		21,149	0	21,149	20,887	0	20,887
Other Employee Costs		2,449	0	2,449	2,966	0	2,966
Contribution to Police Pension Fund Account		14,758	0	14,758	15,169	0	15,169
Police Pensions - IAS19 Current Service Costs		22,500	0	22,500	20,070	0	20,070
Total Employee Costs		95,206	0	95,206	93,665	0	93,665
Premises		3,962	0	3,962	3,951	0	3,951
Transport		2,611	0	2,611	2,532	0	2,532
Supplies & services		9,909	0	9,909	10,595	0	10,595
External Interest		669	0	669	658	0	658
Agency & Contract Services		1,280	0	1,280	891	0	891
Support Services		161	0	161	105	0	105
Pension Interest Costs		48,187	(3,550)	44,637	48,665	(4,191)	44,474
Non Current Asset Charges		4,532	0	4,532	5,675	0	5,675
Gross Operating Expenditure		166,517	(3,550)	162,967	166,737	(4,191)	162,546
Income from Fees & Charges		0	(4,013)	(4,013)	0	(4,631)	(4,631)
Income from Grant & Contributions - Central Govt.	25	0	(1,053)	(1,053)	0	(920)	(920)
Income from Grant & Contributions - Other	25	0	(322)	(322)	0	(140)	(140)
Interest & Investment Income		0	(148)	(148)	0	(155)	(155)
Non Distributed Costs		91	0	91	47	0	47
(Gain) or Loss on Sale of Non Current Assets	6e	0	(80)	(80)	0	(106)	(106)
PFI Grant	25	0	(688)	(688)	0	(688)	(688)
Pensions Top Up grant (Home Office)	25	0	(14,758)	(14,758)	0	(15,169)	(15,169)
Net Operating Expenditure		166,608	(24,612)	141,996	166,784	(26,000)	140,784
Minimum Revenue Provision	30	383	0	383	362	0	362
Pensions Adjustment		(42,452)	0	(42,452)	(37,143)	0	(37,143)
Capital Financing Adjustment		(4,490)	0	(4,490)	(5,651)	0	(5,651)
Revenue Contribution to Capital		1,873	0	1,873	7,829	0	7,829
Transfer to/(from) Earmarked Reserves (Revenue)	5	4,090	0	4,090	(2,951)	0	(2,951)
Transfer to/(from) Earmarked Reserves (Capital)	5	2,010	0	2,010	(2,327)	0	(2,327)
Transfer to Capital Grant Unapplied		889	0	889	1,387	0	1,387
Transfers to/(from) Collection Fund Adjustment A/c	26	(74)	0	(74)	210	0	210
Transfers to/(from) Accumulated Absences A/c	17d	308	0	308	661	0	661
Income from Council Tax	26	0	(32,867)	(32,867)	0	(33,815)	(33,815)
General Government Grants							
- Home Office Police Grant	25	0	(31,891)	(31,891)	0	(30,769)	(30,769)
- Home Office Capital Grant & Other Capital Grants	25	0	(889)	(889)	0	(1,387)	(1,387)
- Council Tax Grants (Freeze & Support)	25	0	(4,944)	(4,944)	0	(4,850)	(4,850)
Formula Funding	25	0	(33,939)	(33,939)	0	(32,340)	(32,340)
Total		129,145	(129,142)	3	129,161	(129,161)	0
(Surplus)/Deficit for the Year				3			0
Police Fund Balance Brought Forward				(5,149)			(5,149)
Capital Receipt Transferred to Police Fund				(3)			0
Police Fund Balance Carried Forward				(5,149)			(5,149)

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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 2014/15 are as follows:

Income & Expenditure by Reporting Segments	Employee Expenses	Expenditure Other Operating Expenses	Total	Fees, Charges & Other	Income Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner							
- Office of the PCC	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
Total	79,377	21,760	101,137	(3,114)	(212)	(3,326)	97,811

The comparative information for 2013/14 is as follows:

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

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 2013/14 £000s	Group 2014/15 £000s
Net Expenditure in Service Analysis (above)	97,120	97,811
Add services not included in main analysis	3,488	5,504
Add technical accounting adjustments (not reported in management accounts)	39,152	29,779
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(42,144)	(36,482)
Net Cost of Services in Comprehensive Income and Expenditure Statement	97,616	96,612

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 2014/15 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	(3,114)	(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)
Total Income	(3,326)	(2,353)	0	0	(5,679)	(119,185)	(124,864)
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)
Total operating expenses	101,137	7,857	29,779	(36,482)	102,291	60,196	162,487
(Surplus) or deficit on the provision of services	97,811	5,504	29,779	(36,482)	96,612	(58,989)	37,623

The comparative information for 2013/14 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	(1,187)	(2,815)	0	0	(4,002)	(10)	(4,012)
Interest and investment income	0	0	0	0	0	(148)	(148)
Income from council tax	0	0	0	0	0	(32,866)	(32,866)
Government grants and contributions	(753)	(622)	0	0	(1,375)	(87,109)	(88,484)
Total Income	(1,940)	(3,437)	0	0	(5,377)	(120,133)	(125,510)
Employee expenses	76,941	6,091	39,652	(42,144)	80,540	44,637	125,177
Other service expenses	22,119	834	0	0	22,953	14,757	37,710
Depreciation, amortisation and impairment	0	0	(500)	0	(500)	0	(500)
Interest Payments	0	0	0	0	0	669	669
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(80)	(80)
Total operating expenses	99,060	6,925	39,152	(42,144)	102,993	59,983	162,976
(Surplus) or deficit on the provision of services	97,120	3,488	39,152	(42,144)	97,616	(60,150)	37,466

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
		2013/14	2013/14	2013/14	2014/15	2014/15	2014/15
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000s	£000s	£000s	£000s	£000s	£000s	
Police Staff Pay & Allowances		7,165	(6,444)	721	811	0	811
Other Employee Costs		820	(748)	72	59	0	59
Contribution to Police Pension Fund Account		14,758	0	14,758	15,169	0	15,169
Total Employee Costs		22,743	(7,192)	15,551	16,039	0	16,039
Premises		3,878	(5,130)	(1,252)	3,898	(5,185)	(1,287)
Transport		60	(919)	(859)	50	(942)	(892)
Supplies & services		1,203	(2,749)	(1,546)	955	(2,070)	(1,115)
External Interest		669	0	669	658	0	658
Agency & Contract Services		233	0	233	43		43
Support Services		1	0	1	19	0	19
Pension Interest Costs		156	(115)	41	116	(98)	18
Non Current Asset Charges		4,532	0	4,532	5,675	0	5,675
Funding from PCC to reimburse expenditure by CC		103,613	0	103,613	106,912	0	106,912
Gross Operating Expenditure		137,088	(16,105)	120,983	134,365	(8,295)	126,070
Income from Fees & Charges		0	(4,013)	(4,013)	0	(4,631)	(4,631)
Income from Grant & Contributions - Central Govt.	25	0	(1,053)	(1,053)	0	(920)	(920)
Income from Grant & Contributions - Other	25	0	(322)	(322)	0	(140)	(140)
Interest & Investment Income		0	(148)	(148)	0	(155)	(155)
Non Distributed Costs		3	0	3	0	0	0
(Gain) or Loss on Sale of Non Current Assets	6e	0	(80)	(80)	0	(106)	(106)
PFI Grant	25	0	(688)	(688)	0	(688)	(688)
Pensions Top Up grant (Home Office)	25	0	(14,758)	(14,758)	0	(15,169)	(15,169)
Net Operating Expenditure		137,091	(37,167)	99,924	134,365	(30,104)	104,261
Minimum Revenue Provision	30	383	0	383	362	0	362
Pensions Adjustment		(71)	0	(71)	32	0	32
Capital Financing Adjustment		(4,490)	0	(4,490)	(5,651)	0	(5,651)
Revenue Contribution to Capital		1,873	0	1,873	7,829	0	7,829
Transfer to/(from) Earmarked Reserves (Revenue)	5	4,090	0	4,090	(2,951)	0	(2,951)
Transfer to/(from) Earmarked Reserves (Capital)	5	2,010	0	2,010	(2,327)	0	(2,327)
Transfer to Capital Grant Unapplied		889	0	889	1,387	0	1,387
Transfers to/(from) Collection Fund Adjustment A/c	26	(74)	0	(74)	210	0	210
Transfers to/(from) Accumulated Absences A/c	17d	(1)	0	(1)	9	0	9
Income from Council Tax	26	0	(32,867)	(32,867)	0	(33,815)	(33,815)
General Government Grants							
- Home Office Police Grant	25	0	(31,891)	(31,891)	0	(30,769)	(30,769)
- Home Office Capital Grant & Other Capital Grants	25	0	(889)	(889)	0	(1,387)	(1,387)
- Revenue Support grant	25	0	0	0	0	0	0
- Council Tax Grants (Freeze & Support)	25	0	(4,944)	(4,944)	0	(4,850)	(4,850)
Formula Funding	25	0	(33,939)	(33,939)	0	(32,340)	(32,340)
Total		141,700	(141,697)	3	133,265	(133,265)	0
(Surplus)/Deficit for the Year				3			0
Police Fund Balance Brought Forward				(5,149)			(5,149)
Capital Receipt Transferred to Police Fund				(3)			0
Police Fund Balance Carried Forward				(5,149)			(5,149)

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	Income Fees, Charges & Other Service	Government Grants	Total	Net Total
	Employee Expenses	Other Operating Expenses	Funding provided by PCC to CC					
	£000s	£000s	£000s					
Police and Crime Commissioner								
- 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
Cumbria Constabulary								
- Corporate Support	166	222	0	388	0	0	0	388
- Legal Services	4	2	0	6	0	0	0	6
Total	842	1,155	106,912	108,909	(4,619)	(1,060)	(5,679)	103,230

The comparative information for 2013/14 is as follows:

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

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
	2013/14 £000s	2014/15 £000s
Net Expenditure in Service Analysis (above)	100,608	103,230
Add services not included in main analysis	0	69
Add technical accounting adjustments (not reported in management accounts)	(395)	1,221
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(72)	25
Net Cost of Services in Comprehensive Income and Expenditure Statement	100,141	104,545

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 2014/15 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	(4,619)	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)
Total Income	(5,679)	0	0	0	(5,679)	(119,185)	(124,864)
Employee expenses	842	69	(67)	25	869	18	887
Other service expenses	1,155				1,155	15,169	16,324
Depreciation, amortisation and impairment	0	0	1,288	0	1,288	0	1,288
Interest Payments	0	0	0	0	0	659	659
Funding provided by PCC to CC	106,912	0	0	0	106,912	0	106,912
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(106)	(106)
Total operating expenses	108,909	69	1,221	25	110,224	15,740	125,964
(Surplus) or deficit on the provision of services	103,230	69	1,221	25	104,545	(103,445)	1,100

The comparative information for 2013/14 is 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	(4,003)	0	0	0	(4,003)	(10)	(4,013)
Interest and investment income	0	0	0	0	0	(148)	(148)
Income from council tax	0	0	0	0	0	(32,866)	(32,866)
Government grants and contributions	(1,375)	0	0	0	(1,375)	(87,109)	(88,484)
Total Income	(5,378)	0	0	0	(5,378)	(120,133)	(125,511)
Employee expenses	764	0	104	(72)	796	40	836
Other service expenses	1,609	0	0	0	1,609	14,758	16,367
Depreciation, amortisation and impairment	0	0	(499)	0	(499)	0	(499)
Interest Payments	0	0	0	0	0	669	669
Funding provided by PCC to CC	103,613	0	0	0	103,613	0	103,613
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(80)	(80)
Total operating expenses	105,986	0	(395)	(72)	105,519	15,387	120,906
(Surplus) or deficit on the provision of services	100,608	0	(395)	(72)	100,141	(104,746)	(4,605)

Subject to Audit



Police and Crime Commissioner for Cumbria
Annual Governance Statement 2014-15

Annex C – Annual Governance Statement

The Police and Crime Commissioner for Cumbria

Annual Governance Statement 2014-15

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 at www.cumbria-pcc.gov.uk 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 4(3) of the Accounts and Audit (England) Regulations 2011. The regulations say that we must 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.

REVIEW OF EFFECTIVENESS

The key systems and processes that comprise the Commissioner's governance arrangements are guided by the six core principles of Corporate Governance from the CIPFA/Solace Governance Framework, the standard against which all local government bodies, including police, should assess themselves.

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of 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. Financial 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.

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*

Annex C – Annual Governance Statement

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 arrangements meet the good practice examples within the guidance.

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 (PSIAS) and CIPFA's Local Government Application Note, a self-assessment checklist. 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 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 2013-14 review, and how these were addressed as shown in the 2014-15 development plan update.

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 to reflect changing financial circumstances and emerging issues, as well as reflect the feedback received from public engagement during the year.

The Commissioner has continued to engage members of the public in numerous events across the county, including drop-in events in public places, surgeries and meetings with community groups. In addition, a large survey has been commissioned and cognisance has been taken of issues raised in correspondence and through social networking.

As a result, during 2014-15, the Police and Crime Plan, 'Making Cumbria an Even Safer Place', has been updated to reflect recent activity and emerging issues.

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.

Annex C – Annual Governance Statement

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

During the course of 2014-15 the Commissioner's Executive Board received Constabulary reports covering a range of areas of performance including crime levels, disposals, roads policing, public complaints, integrity, police officer and police staff numbers and overtime. Included for the first time were Her Majesty's Inspectorate of Constabulary (HMIC) new performance measures to assess the effectiveness, efficiency and legitimacy (PEEL) of the constabulary. The PEEL assessment for 2014 was assessed as 'good'. These reports enable the Commissioner to hold the Chief Constable to account for the delivery of the priorities set out in the Police and Crime Plan and Constabulary performance in general. They also help inform the amendment of those priorities to ensure they are achieving their aims and the setting of new priorities to meet emerging trends.

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.

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 third annual report, covering the 12 months from 1st April 2014 to 31st March 2015 will be presented to the Police and Crime Panel on 17 July 2015 and highlights a number of key achievements including:

- Significant progress in developing service provision for victims including the recruitment of a Victim's Advocate
- Good progress towards the implementation of a Sexual Assault Referral Centre
- The launch of a Rural Crime Strategy;
- Development of Community Remedy following consultation.

The Annual Report can be found on the Commissioner's website at www.cumbria-pcc.gov.uk.

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

Annex C – Annual Governance Statement

Financial performance is set out in the Commissioner's Financial Statements which includes a more accessible

summary statement. The 2013-14 Statements were approved following external audit and reviewed by a joint meeting of the Audit and Standards Committee and the Commissioner's Executive Board on 22 September 2014. The External Auditor's Audit Findings Report noted the significant presentational changes made to the financial statements with a view of improving the readability of the accounts. In the opinion of the auditors this worked well in providing a clear easier to read set of accounts. This work secured a reference for the Police and Crime

"Cumbria Police and Crime Commissioner/ Chief Constable ... made their accounts easier to read by removing immaterial notes and providing brief and simple explanations of key accounting concepts" Grant Thornton Local Government Governance Review 2015.

Commissioner and Chief Constable in Grant Thornton's Local Government Governance Review 2015. The auditors also commented that the Commissioner continued to show strong financial resilience and good financial planning and management, noting that priorities are based on a clear understanding of the local community needs and investment is being targeted. The auditors confirmed that the Commissioner had proper arrangements in place for securing economy, efficient and effectiveness in the use of resources.

At the Executive Board meeting of 24th February 2014 the Commissioner set the 2014-15 annual budget and precept in the context of a 4 year medium term financial forecast (MTFF). 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 £117.6m for the Chief Constable for the 2014-15 financial year.

During the year work has continued in modelling the medium term forecast to assess the potential level of resources that may be available for future year financial settlements. This is critical in supporting the Commissioner and Constabulary in developing plans for delivering the Police and Crime Plan priorities within a reduced level of resources.

The budget included £4.6m funding for 2014-15 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. Funding was also provided for Police Innovation, supporting investment for more efficient and effective working within the Constabulary. The arrangements for Commissioning and the issue of grants have been codified within a Commissioning Strategy approved by the Commissioner at his Executive Board on 27 March 2014. The strategy is supported by a set of accompanying grant regulations.

During 2014-15 the commissioned services budget supported a range of partnership working to support services and initiatives to reduce anti-social behaviour, youth offending and support victims. The newly appointed Head of Partnerships and Commissioning is responsible for taking forward this area of work. Partnership and Commissioning Funding was provided to support sexual and domestic violence services. In excess of £80k of funding was awarded to community groups through the Commissioner's community fund and over £1m has been committed to a partnership initiative for a county wide CCTV scheme. The Commissioner's funds and the process for allocation of

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grants within them has been developed to encourage and support the delivery of projects and services addressing issues identified in the Police and Crime Plan.

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

Following the publication of 'Care, Consideration and a Voice for Victims', and 'Taking the Next Steps' in 2014 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.

Following the launch of the Office of Victim Support, the Commissioner has put in place arrangements for victims in order to comply with his new commissioning responsibilities for victims support services that came into place in October

2014. The approved commissioning strategy and budget sets out funding for victims services over a four year timeframe. The strategy and accompanying grant regulations provide authority to enter into partnership arrangements, issue grants and procure services for the provision of support to victims of crime and anti-social behaviour. A Victims' Advocate has been appointed with responsibility for the overall arrangements for victims including the establishment of a Victims' Charity. Wider victim referral services have been relocated to Cumbria as from 01 April 2015.

On 1st April 2014 and in line with legislative requirements, a stage 2 staff transfer scheme was implemented between the Commissioner and Chief Constable. The scheme transferred all staff, other than one vacant post and those within the Commissioner's office, to the employment of the Chief Constable. The staff transfer was supported by a revised governance framework, approved by the Commissioner and Chief Constable, to reflect the changes to governance and support the new the new arrangements from April 2014.

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 2014-15 this work has resulted in changes to the process for complaints received directly by the Chief Constable's office, resulting in improvements to communications with complainants that aim to provide a higher level of assurance regarding the action that will be taken. These changes arose directly from complainant feedback.

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AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

2014/15

CP1/1: In order to respond to proposals for achieving publication of the financial statements by 31st July, 2 months in advance of the current regulatory date of 30th September, the finance team are working with our external auditors to achieve an earlier production of the 2014-15 financial statements. This aims to achieve the publication of the audited Statements by the first week in June 2015 and publication of the audited statements following approval on 3rd September 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.

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.

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

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011 (PPO). The PRASA and the PPO also set out the function and roles of statutory officers, namely the Monitoring Officer (Chief Executive) and the Chief Finance Officer (CFO). The monitoring officer has specific legal, financial and governance duties in addition to a statutory responsibility for the lawfulness of decision making.

The functions and roles set out in legislation and guidance are codified in the Commissioner's scheme of delegation. The scheme was revised for 1st April 2014 to take into account the impact of the stage 2 transfer of staff to the Chief Constable and the statutory framework that prohibits delegations from the Commissioner to staff of the Chief Constable. Revisions to the scheme of delegation removed any responsibilities delegated to former support staff who have been subject to the transfer scheme. Delegations from the Commissioner to his Chief Executive and Chief Finance Officer place responsibility with the roles of the statutory officers to secure the delivery of support services. The new arrangements in respect of support have been codified within the funding agreement between the Commissioner and the Chief Constable for 2014-15.

During the year a formal review has been undertaken of the role of the Commissioner's Chief Finance Officer against the CIPFA statement for Police. The review comprised a self-assessment against the 63 specific requirements set out in the CIPFA statement, documenting the arrangements in place to meet the requirement. The self-assessment was

subject to further review by the Joint Audit and Standards committee. The outcome from the process has concluded that the Chief Finance Officer is fully compliant with the CIPFA role.

A similar review has been undertaken to assess the role of the Head of Internal Audit (HIA) against the CIPFA statement. This has comprised a self-assessment against the 29 specific requirements set out in the CIPFA statement for the HIA in the public sector. The assessment concludes that the Head of Internal Audit is fully compliant with the CIPFA role. The assessment has been reviewed by the Commissioner's Chief Finance Officer and was presented to the Joint Audit and Standards Committee on May 6th 2015.

Financial functions and roles have been further subject to review as part of the cyclical arrangements to review the Commissioner's financial regulations. These have been updated during 2014-15 to take into account legislative and regulatory changes. This has resulted in some changes to the Commissioner's responsibilities and an update to the terms of reference of the Joint Audit and Standards Committee. Changes have also been made to improve the document and clarify roles and responsibilities for approving and managing the capital programme.

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 of forty eight. In the period 1 February 2014 to 31 January 2015 they made 195 visits, spoke to 271 detainees and observed a further 201 detainees. No serious issues were raised during

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any of the visits. Work has been carried out to further develop the Animal Welfare Scheme which looks at the welfare of police dogs. Nine volunteers from the ICV scheme have been appointed to undertake this role. Work has also been undertaken with the Civil Nuclear Constabulary to utilise the nine volunteers from the Animal Welfare Scheme to carry out a similar function for them. This is now in operation and working well.

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

- Continuing the role of Chair of the Safer Cumbria Partnership Direction Group, to tackle crime and disorder bringing together public services such as councils, health, probation and voluntary groups working in fields such as domestic abuse support.
- Delivering a partnership Cumbria Alcohol Strategy to tackle alcohol harm, alongside a Joint PCC- Constabulary strategy.
- Working with partners on an action plan to tackle hate crime.
- Working with leaders and chairs of the county's key public and voluntary sector agencies as a member of the Cumbria Leaders' Board
- Working to help address alcohol, drug and mental health issues, often contributing factors in crime, through working jointly with Health and wider partners.
- Providing funding for Cumbria's three Community Safety Partnerships, who are responsible for bringing together a range of organisations to identify and tackle local issues in relation to crime and disorder, focusing on domestic violence, local crime prevention, and anti-social behaviour.

- Supporting community groups to reduce crime and tackle antisocial behaviour through a Police and Crime Property Fund, Community Fund and Innovation Fund. Full details can be found on www.cumbria-pcc.gov.uk
- Signing up to 'Cumbria Compact', which is a set of principles and commitments that underpin good working relationships between the public sector and the community covering areas such as equality and diversity, public engagement and the allocating of resources.

The Commissioner is leading a number of multi-agency partner initiatives. In order to ensure that there is clear governance and public messages a communications strategy is defined which sets out the common vision, objectives, key messages, roles and responsibilities. The strategy is regularly updated to take into account key milestones and to demonstrate the objectives within the Police and Crime Plan that are being achieved.

The role of the Joint Audit and Standards Committee has been reviewed during 2014 -15 to take into account the Local Audit and Accountability Act 2014. The Committee have agreed to take on the role of an Audit Panel for the purpose of the appointment of External Auditors at the point that the relevant provisions within the legislation come into effect.

The role of the Joint Audit and Standards Committee has also been amended to take into account the establishment of an Ethics & Integrity Panel. The role of the Ethics Panel, set out in its terms of reference, is to provide a forum which challenges, encourages and supports the monitoring and dealing with integrity and ethical issues in both the OPCC and Constabulary. The Panel will present an annual report to the Joint Audit and Standards Committee in May each year.

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The Commissioner's Executive Board continues to meet in public with the agenda and papers being published prior to the meetings. The meetings have been attended by various representatives of the media and members of the public. Three questions by members of the public were asked following the introduction of the facility in the previous year.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP2/1: The Commissioner is working with health and local government partners to improve services for victims of sexual assault in Cumbria. A jointly funded (OPCC, Constabulary, County and District Council and NHS) project manager has been appointed to a 12 month seconded post within the OPCC to work with partners to deliver a sexual assault referral centre and joined-up system of follow-up health and emotional support services.

CP2/2: Building on the work of the OPCC and partners during 2014-15 to develop Victim led Restorative Services, the OPCC will work with partners to increase the use of quality Restorative Justice through the development of a multi-agency approach.

CP2/3: During 2015-16 and thereafter, the OPCC will work with partners to develop and deliver a Victim and Witness

Needs and Commissioning Strategy to deliver improvements in services to victims and develop compliance with the Victims' Code of Practice.



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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2014-15 the Commissioner, in conjunction with the Chief Constable, established an Ethics and Integrity Panel. The Panel's first meeting was held on 13 March 2015. As part of the day, it "dip sampled" public complaint files managed by the Professional Standards Department and considered a number of reports in line with the annual work programme. The Panel Chair reports the findings of its work to the Commissioner's Executive Board including recommendations for improvement. The findings from the first meeting and report were that:

- The Panel was impressed by the thorough and professional approach taken by the Professional Standards Department to the complaints that it looked at, treating them seriously.
- In particular, "local resolution" was a proportionate way of dealing with those complaints that were less serious.
- A genuine effort was made to regain the confidence of the complainant and all the files sampled had been dealt with within the set timescales.
- Cumbria has one of the lowest rates of public complaints. Figures for complaints that are not upheld compare well with national data. The number of IPCC appeals upheld was considerably lower than national data.

- The number of integrity issues reported during 2014 was stable with a slight decrease in the last quarter.
- The Panel saw the fact that a significant number of reports were self-referrals from officers was an indicator of awareness within the Constabulary of integrity issues and the importance of acting in an ethical way.

During 2014-15 the Ethics and Integrity Panel was able to make a number of recommendations that aim to improve the quality of communications and public satisfaction.

The panel was able to make a number of recommendations regarding the presentation of information within reports, briefings issued to staff and regarding responses to complainants that aim to improve the quality of communications and public satisfaction.

As part of the arrangements for complaints, the Commissioner receives letters of complaint directly from members of the public. In 2014 he received 12 complaints, 10 of which were passed to the Constabulary to respond to as they were regarding officers below the rank of Chief Constable and therefore beyond the jurisdiction of the Commissioner.

During the same period the Commissioner received 338 letters of dissatisfaction raised by members of the public regarding the Constabulary and policing issues. These matters were addressed in conjunction with the Chief Constable's office and the Constabulary. Letters of

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compliment were also received from members of the public for the assistance provided by the Police and Crime Commissioner and members of staff.

Complaints made against the Police and Crime Commissioner are dealt with by the Police and Crime Panel. During 2014-15 the panel received three complaints all of which were dealt with by way of a letter of explanation.

In December 2014 the Home Secretary announced that she would be conducting a consultation on Police Integrity with a view to reforming the police complaints and disciplinary systems. On 12 March 2015 the Home Office published the Government's response to the public consultation having decided to take forward the majority of proposals outlined in the consultation paper. This would see Police and Crime Commissioners taking a more active role in the police complaints process to provide more openness and transparency to the process. Legislation is awaited to enable Commissioners to carry out their extended role.

During 2014-15 the Commissioner's arrangements for anti-fraud and corruption have been subject to inspection by internal audit following a fundamental review and update during the previous year. The audit work comprised a review of the Commissioner's arrangements and the arrangements the Commissioner has in place to hold the Chief Constable to account on matters of anti-fraud and corruption. The audit judgement is that there is substantial assurance in respect of the arrangements. The report 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 are subsequently published on the Commissioner's website on a monthly basis and the Deputy Monitoring Officer has undertaken dip sampling between the registers and contracting activity.

During 2014-15 the Commissioner's arrangements for Anti-Fraud and Corruption have been audited and received a judgement that there is substantial assurance in respect of those arrangements.

In April 2014, in support of the requirements for audit of the financial statements, the Commissioner submitted to the External Auditor a 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 and are published on the Commissioner's website for openness and transparency.

In June 2014, the Chief Executive presented to members of the Joint Audit and Standards Committee a report monitoring the operation and effectiveness of arrangements for anti-fraud and corruption, the code of conduct and the PCC/Officer protocol. Reports will be prepared in May 2015 to provide management assurance in respect of these arrangements for the 2014-15 financial year. In respect of the June 2014 report the Chief Executive was able to

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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 2014 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.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP3/1: During 2015-16 work will be undertaken to update and develop the policy and guidance 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.

CP3/2: In line with national changes to the police complaints systems, work will be undertaken to further develop arrangements in respect of the role of the Commissioner in managing complaints concerning police officer conduct.

In respect of the period from 1st April 2014 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 Code of Conduct and Protocols

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Commissioner makes decisions in line with his decision making policy which adheres to the Good Governance Standard for Public Services and the Good Administrative Practice 2.

During the 2014-15 financial year the Commissioner made 50 decisions that have all been recorded and published on the Commissioner's website. Of those, in the interests of openness and transparency, 35 (70%) were taken as public decisions. The range of decisions made included finance and budget, estate, policies, police and crime plan, annual report, policing services and commissioning.

The Joint Audit and Standards Committee has conducted 5 public meetings during 2014-15. As an advisory body, the Committee has undertaken a significant amount of work to review and make recommendations in respect of the Commissioner's arrangements for governance and the management of risk prior to formal decision making by the Commissioner. This has included providing assurance on the Financial Regulations, Code of Corporate Governance, Risk Management Strategy, Internal Audit Charter and Treasury Management Strategy and Practices. The Commissioner and the Chief Constable met jointly with the Committee in on 22nd September 2014 in order to receive the views of members prior to authorising the statement of accounts and 2013-14 Annual Governance Statements for publication.

The Office of Public Engagement is instrumental in influencing key decision making within the OPCC. For example, two major consultation exercises were conducted during the last year which helped shape the Commissioner's decision making in key areas:

During the 2014-15 financial year the Commissioner made 50 decisions, of those, in the interests of openness and transparency 35 (70%) were taken as public decisions.

Firstly, during the period August – October 2014, an extensive public consultation was carried out regarding the setting of the police precept. The aim of the consultation was to seek the views of the residents of Cumbria about future levels of the police precept element of council tax. 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.

As well as the survey, the Commissioner carried out a wide range of public engagement events over the summer and autumn months, to provide as many opportunities as possible for the public to engage with him, through a diverse range of communication and engagement methods

The concept of the consultation was that it would provide an independent, statistically significant and robust evidence base that the Commissioner could feel confident was representative of the views of the people of Cumbria, and upon which he could base his decision as to what level to set the police precept for the financial years 2015/2016 and

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2016/2017. The outcome of the consultation indicated that the majority of the public of Cumbria would support a rise in the police precept of at least 1.9% for the next two financial years.

Secondly was the consultation carried out on the introduction of Community Remedy. Community Remedy is about giving victims a bigger say in what happens to the person who committed an offence against them, and was introduced as part of the Antisocial Behaviour, Crime and Policing Act 2014 which placed a statutory duty on all Police and Crime Commissioners to develop a list of Community Remedies.

From October 2014, victims of low level crime and antisocial behaviour are able to select the punishment for the offender from a menu of options, for example, measures such as repairing damage to property, cleaning up graffiti or receiving a punishment proportionate to the crime. Victims can also ask the offender direct questions, choose mediation or receive an apology.

In order to develop the list of options to be offered to victims, it was important for the Commissioner to hear the views of the public and partners. Initially, a wide range of stakeholders and partners were invited to submit their views on what they would like to see on offer to victims in the Community Remedy Document, based on their experience of feedback from victims. An example of the groups included:

- Multi Agency Risk Assessment Conference attendees in the North, South and West of Cumbria;
- The Victims and Witnesses Group;
- The Restorative Justice Group;
- Community Safety Groups in the county;
- Safer, Stronger Communities Manager;

- Representative from Constabulary Community Safety Unit.

The feedback received highlighted that the consultation was also an opportunity to build on work already underway in Cumbria in terms of the use of Restorative Justice (RJ), which gives victims the opportunity to have a say in the resolution of offences committed against them and offers them the chance to come face-to-face with their offender. The introduction of the Community Remedy document was seen as an ideal chance to promote the use of RJ, and it was recommended that sanctions involving RJ activities (such as face-to-face meetings) should be included in the list as part of the consultation.

From this initial pre-consultation activity, a list of 'sanctions' was drawn up and an on-line questionnaire was developed to canvass views on what the public and other interested parties would like to see contained in the list. Once the questionnaire was published it was publicised widely in the county through the media, social networks, community messaging, drop-in surgeries and other community meetings. The results of the consultation indicated quite clearly that reparation activities were the most popular options, with rehabilitation of offenders and restorative justice activities featuring highly. The constabulary, working with officers from the Commissioner's office, are now developing the processes and systems required to deliver Community Remedy, based on the findings of public consultation.

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The Police and Crime Panel have met 5 times over the course of the year. At their January meeting the Panel considered the matter of the Commissioner's proposed precept prior to decision making. As part of this process the panel hold a seminar meeting in December to undertake detailed scrutiny of revenue and capital budget plans, plans for savings proposals and the Commissioner and

The Police and Crime Panel held a seminar in December 2014 to undertake detailed scrutiny of the Commissioner's revenue and capital budget plans, saving proposals and performance in delivering efficient and effective policing, prior to their decision to support the proposed police precept.

Constabulary's performance in delivering efficient and effective policing. This involves a comprehensive review of HMIC value for money profiles and HMIC inspection judgements on value for money. At their meeting on January 22nd 2015 the Panel decision was that they support the proposed police precept.

During 2014-15 the Commissioner's Risk Management Strategy has been revised and approved at the Executive Board. The Strategy and a quarterly updated Strategic Risk Register has been presented to the Joint Audit and Standards Committee to

ensure effective arrangements are in place for the scrutiny of risk management activity. In addition the Committee has received a report from the Chief Executive advising on the work that has been undertaken to monitor the effectiveness of arrangements for risk management for 2013-14. The Committee will receive in May 2015 a report in respect of those arrangements for 2014-15.

Risk Management arrangements have been subject to inspection by Internal Audit during the year with a report being issued in February 2015 that provided a judgement of reasonable assurance. The auditor noted that there were a number of strengths evident in the current arrangements including the Risk Management Strategy, arrangements for reporting to the Joint Audit and Standards Committee and clear risk management responsibilities. The report made four medium priority recommendations covering the areas of guidance and training for staff, reviewing the consistency of presentation of information with that of the Constabulary and strengthening the strategic risk register to more clearly focus on strategic objectives. In response to the recommendations CIPFA was commissioned to develop training that was delivered on 23rd March 2015. This has addressed the first three recommendations and commenced the process of reviewing the strategic risk register.

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.

An annually developed internal audit plan uses risk as the basis of developing an annual audit programme. Each audit evaluates the exposure to risk relating to the organisations governance, operations and information systems. The audit plan for 2014-15 was approved by the Commissioner, subject to Joint Audit and Standards Committee scrutiny, on 27th March 2014 and presented to the Committee on 31 March 2014. The plan substantially increased the number of days of audit work during the year from 143 to 180 as a consequence of widening the areas of audit coverage in line with the introduction of the public sector audit standard. All areas subject to audit and included in the opinion of the Chief Internal Auditor have received either reasonable or

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substantial assurance with the exception of arrangements for business continuity that has received limited assurance. Recommendations arising in respect of this audit will be implemented as a priority. The Chief Internal Auditor has determined that the impact of this single audit judgement does not impact on the overall assurance and audit judgement that can be provided in respect of the framework of internal control.

The Audit Plan provides the basis for the Chief Internal Auditor's overall opinion on the control environment. The internal audit annual report for 2014-15 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 2014-15 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 Joint Audit and Standards Committee continue to be effective in their scrutiny role, a programme of training/development activity will be agreed with the Committee Chair and incorporated within the Committee's annual work programme.

CP4/2: During 2015-16 further work will be undertaken to develop the arrangements for risk management. This will include undertaking a review of the Commissioner's strategic and operational risk registers, consideration of risk appetite and the methodology for scoring risks, and reviewing the Risk Management Strategy in the context of this work.

CP4/3: Arrangements will be made to formally codify all elements of the Commissioner's business continuity arrangements and initiate a programme for updating and testing the business continuity plan.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2014-15 the Commissioner and the Commissioner's officers have received daily APCC briefings in addition to a number of investigative and review reports and updated guidance from a range of national bodies and organisations. These include updated guidance and research papers from Grant Thornton and CIPFA in addition to HMIC inspection reports. Significant publications have included the Audit Commission's 2014 publication, Protecting the Public Purse, a Home Office report on Emergency Services Collaboration and Grant Thornton's Local Government Governance Review 2015.

The Chief Executive is further supported through the Association of Police and Crime 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. APACCE has also arranged regular meetings for Chief Executives to meet Home Office officials and arranged a buddying system between Chief Executives and senior civil servants. Advice and support is also available through the regional (North West and North Wales) Chief Executives Group, which meets on a quarterly basis.

The North West Joint Oversight Committee of Police and Crime Commissioners continues to meet regularly to take forward collaboration between forces and OPCCs in the region.

The Chief Finance Officer continues to receive support from the Police and Crime Commissioner's Treasurer's Society

(PaCCTS) and the associated technical information service. This has included an analysis of the funding formula settlements in December 2014 and January 2015, the financial implications of the 2014 Autumn Statement and the impact of the Chancellor's March 2015 budget.

Officers within the finance team have attended a number of events run by CIPFA and Grant Thornton. This has included a capital practitioner workshop, training on insurance procurement, the annual police strategic briefing and a Cumbria wide event in March 2015 to debate the challenges regarding the anticipated changes to the final accounts timetable. The service also commissioned a 2 day course provided by CIPFA to deliver better business case training to a range of staff across the OPCC and the Constabulary to support effective submissions in the annual government funding bid rounds. Announcements in March confirmed that the Commissioner and Constabulary were successful in awards securing £1,074,466 of funding for Cumbria.

To support succession planning and business continuity arrangements for the finance function within the shared support arrangements, the Deputy Chief Finance Officer has continued to develop her role and awareness of financial governance within the OPCC. This has included taking a lead role in managing the arrangements for the Joint Audit and Standards Committee, including recruitment for a new Committee Chair and Member and increasing her role in financial reporting to both the Commissioner's Executive Board and the Police and Crime Panel.

The Chief Finance Officer and finance staff with treasury management responsibilities have held quarterly briefing

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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 have also delivered a seminar on 22nd March for members of the Joint Audit and Standards Committee prior to their scrutiny of the Treasury Management Strategy.

Further specialist advice has been received from the Commissioner's Insurance brokers in respect of the procurement route and approach to re-tendering/renewal of the arrangements for insurance. This advice has supported decision making in respect of insurance excess and cover levels to deliver overall financial savings through a higher level of self-insurance.

During the year North West Employers have supported the office in developing a suite of bespoke human resource policies to ensure staff have clarity in respect of the frameworks in which we operate and manage our people resources. This follows the stage 2 transfer of staff to the Constabulary from April 1st 2014. This is a significant and complex area of work and whilst it has been substantially progressed during 2014-15 there will continue to be additional areas of policy that are subject to implementation during 2015-16.

All staff within the office have attended a one day training course provided by CIPFA to support staff development in managing risk and help to embed a risk aware culture. The training facilitated challenge to the overall approach to risk and will support future work in reviewing the strategic and operational risk registers.

In order to provide expertise around independent public consultation, IPSOS/MORI were commissioned to support the Office of Public Engagement with their consultation on

the setting of the police precept. The experience gained will help inform the approaches to consultation in future, and demonstrated how independent statistically significant evidence can be achieved.

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. Of note during 2014-2015, the Commissioner teamed up 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 Community Remedy options.

The capacity and skills needed to deliver support in respect of the Commissioner's wider responsibilities for community safety, enhancing criminal justice and supporting victims, has been recognised through an internal restructure of the Commissioner's office. The restructure has placed more emphasis on partnerships, victims support and victims advocacy. Job roles have been revised to make responsibilities clear and ensure staff resources are appropriately aligned. The structure has included the appointment of a Victims Advocate to support the transition from national to local victims support services and commission services locally, a Head of Partnerships and Commissioning, an assistant policy officer and a seconded constabulary officer to backfill the role of the Partnership and Strategy Manager.

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All staff within the office have undertaken a personal development review process to ensure they have the skills to be effective in their roles. Specific training has been provided for staff in the areas of advanced Microsoft Word, Excel, Freedom of Information, media management, 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. The overall conclusions from that review are that the Audit and Standards Committee is extremely effective in its operation. The review has demonstrated that within the areas of the CIPFA self-assessment the Committee can evidence substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as being evidence of effectiveness.

Against the self-assessment checklist the committee achieves a consistent grade of 4 or 5 (against a maximum of 5) across all areas. For those functions not included within the checklist, incorporating the wider functions of the committee, there is evidence to demonstrate compliance with CIPFA guidance and elements constituting best practice. In areas where the Committee has not achieved a grade 5 there are plans to improve and develop the arrangements within the Committee's 2015-16 work programme. The full report of the Committee can be found on the Commissioner's website at:

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

During 2014-2015 the Independent Custody Visitor Scheme Administrator and the Chairman of the Kendal ICV Panel have attended three training sessions for new Custody Sergeants held on 13th February and 14th May at Carleton Hall and at Workington Police Station on 20th November, to

provide information and training on the Custody Visiting Scheme. Attendance ensures that new Custody Sergeants have a greater awareness and understanding of the purpose and the work of the Independent Custody Visiting Scheme when they first encounter the visitors. The visitors generally enjoy a good working relationship with the Custody staff and the training helps to avoid any misconceptions amongst staff about the conduct of visits.

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 new candidates for appointment. Induction training courses have been run for newly-appointed visitors in Workington on 28th February, Carlisle on 2nd May, Kendal on 31st January and 9th February and Barrow on 16th February. A campaign was launched to attract new volunteers to the West Cumbria Panel with shortlisting and interviews undertaken during March. Currently membership of the four panels stands at Barrow 11; Kendal 11; North Cumbria 12 and West Cumbria 8.

The 2014 Cumbria ICV Annual Conference was held at the Cumbria Rural Enterprise Agency (CREA), at Redhills, Penrith, on Saturday 26th April 2014. 22 Custody Visitors attended the Conference. Among the topics this year was: Illegal Immigration and Human Trafficking in Cumbria, and Sexual and Domestic Violence in Cumbria and its impact on the community.

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 Conferences, a number of ICV's attended the 2014 Regional Conference held on Saturday 4

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October at Haydock Park Racecourse. The event covered a range of issues including Mental Health Triage Pilot, Veterans in Custody and Engaging with Older People.

During the year the Commissioner received additional one-off funding to enhance the capacity and capability of the voluntary, community and social enterprise sector to support victims of crime, enhance the capacity within the office to prepare for local commissioning of victim support and develop capacity within the arrangements for restorative justice. The funding has contributed to a number of schemes through providing grant support to third sector organisations to grow and train both volunteers and professional support for victims of domestic and sexual

violence and hate crime. Capacity within the office to deliver longer term accessible information for victims has been supported through the appointment of a Victim's Advocate and the commissioning of a victims information portal – www.cumbriatogether.com

AREAS FOR FURTHER DEVELOPMENT

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.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Policing Protocol Order highlights the accountability of the Police and Crime Commissioner to local people. It sets out the Commissioner's legal power and duty to provide the local link between the police and communities, working to translate the legitimate desires and aspiration of the public into action. This responsibility is delivered through an Office of Public Engagement to ensure a wide range of engagement approaches so that the Commissioner actively listens, considers and effectively uses the views of the people of Cumbria and is accountable. During 2014-15, the Commissioner has:

- Carried out 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. disability, LGBT, and Cumberland Show, Westmorland Show;
- Attended a significant number of meetings with local councillors and MPs;
- Hosted an event on Rural Crime which fed into the development of a joint Rural Crime Strategy;
- Sponsored and spoke at the Cumbria Neighbourhood Watch Association annual conference, where the theme was Local Resilience;
- 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;

- Sponsored a number of Hate Crime Workshops throughout Cumbria to raise awareness amongst partners of what constitutes hate crime and what can be done for those that report such incidents;
- 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;
- Conducted surveys on rural crime, and policing priorities, through a mixture of both online and face-to-face methods during themed engagement events;
- Commissioned a large scale, independent and statistically significant consultation on what the people of Cumbria would be prepared to pay by way of the police precept;
- Conducted a consultation exercise via an on-line and hard copy survey, on Community Remedy, asking what options should be available to victims of low level crime and antisocial behavior in terms of dealing with the perpetrator;
- Promoted events and activities and maintained a presence using social media i.e. Twitter and Facebook;
- Dealt with over 338 'Quality of Service' complaints from members of the public.

The Commissioner presented the Police and Crime Panel with his second annual report on 11 July 2014. The annual report, entitled "Making Cumbria an Even Safer Place", provided detail on crime and anti-social behaviour, the

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progress being made by the OPCC of the Office of Victim Services and the Office of Public Engagement, policing within Cumbria, how the Commissioner had responded to issues raised during community engagement activity and future priorities.

During the course of the year the Panel have scrutinised the Commissioner in relation to his Police and Crime Plan, Annual Report, and Budget & Finance decisions. The Panel has also developed jointly with the Commissioner a programme to enable the scrutiny of priority areas from within the Police and Crime Plan and two of the areas scrutinised were 'Victims: Ensure victims of crime have access to support and redress'; 'Alcohol: Reduce the impact of alcohol misuse on our communities'.

Communities in Cumbria have contacted the Commissioner to make complaints and raise quality of service issues. In the year 2014-15 the Commissioner received 338 quality of service complaints from members of the public. These issues were then raised with the Constabulary to respond to the issues and monitored by OPCC staff to ensure a timely
¹ 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.

In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 & 2012 and the guidance provided by the Information Commissioner a range of information has been made publically available through the Commissioners website over the course of the year. This has included agenda and reports for the public

and appropriate solution was found. Only 1 issue remains to be completed and mediation is taking place to resolve the matter.

Of the 12 complaints received by the Commissioner 10 (83%) were passed to the Constabulary for response in line with statutory legislation and authorities. Of the remaining 2 (17%) the complainant was seeking the Commissioner's intervention following the conclusion of the Constabulary dealing with their complaint. In these instances OPCC staff provided appropriate guidance and advice on appeal processes available to the individual.

The Commissioner's audited accounts for the 2013-14 financial year were signed on 22 September 2014 and published alongside the report of the independent auditors (Grant Thornton) on the financial statements. The auditor's opinion was that the statements provided a true and fair view of the financial position of the commissioner as at 31 March 2014 and that they have been properly prepared in accordance with CIPFA/LASAAC.

Executive Board meetings and the Joint Audit and Standards Committee, guidance and application packs for the Commissioner's three funds, Freedom of Information disclosure logs, financial information and strategies. The Commissioner's monthly Executive Board meetings are also open to attendance by the press and public, resulting in the decision making process becoming more open and transparent. Members of the public may ask questions of the Commissioner at these meetings.

¹ The Chartered Institute of Public Finance and Accountancy and the Local Authority Scotland Accounts Advisory Committee

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

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.

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.



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APPENDICES TO THE ANNUAL GOVERNANCE STATEMENT

- Appendix A: 2015-16 Development And Improvement Plan
- Appendix B: 2014-15 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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*Richard Rhodes
Police and Crime Commissioner for Cumbria

*Stuart Edwards
Chief Executive

*Ruth Hunter
Chief Finance Officer/ Deputy Chief Executive

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

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APPENDIX A: 2015-16 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	Preparation for earlier financial accounts deadlines: Achieve unaudited publication by 4 th June/audited publication by 10 th September.	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	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.	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	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.	Head of Partnerships and Commissioning	March 2016
CP2/2	Building on the work of the OPCC and partners, develop Victim led Restorative Services	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.	Head of Partnerships and Commissioning	March 2016

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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.	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	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.	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	Chief Executive	Sept 2016
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.	Head of Communications and Business services	Sept 2016
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	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.	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.	Head of Partnerships and Commissioning/ Head of Communications and Business services	May 2016

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APPENDIX B: 2014-15 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	Model the impact of potential changes to grant income arising from the review of the police funding formula.	A number of models have been developed to assess a range of funding outcomes taking into account known/estimated information from the National Settlements and the Autumn Statement. Financial modelling will continue until the conclusion of the police formula funding review as further information is received during 2015-16. An action to reflect this has been included in the 2015-16 action plan.	Chief Finance Officer	31 March 2015
CP1/2	Establish a charitable trust and put in place the arrangements from April 2015 for local commissioning of victim referral and support services.	Actions Complete.	Chief Executive	31 March 2015
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.			
CP2/1	Deliver a sexual assault referral centre and joined-up system of follow-up health and emotional support services.	Good progress has been made in developing a joined-up system for sexual assault services. A collaborative agreement is in place with pooled funding to commission services in 2015. The Head of Partnerships and Commissioning will take forward this project in 2015	Chief Executive	30 April 2015
CP2/2	Work with partners to increase the use of quality Restorative Justice through the development of a multi-agency approach.	Good progress has been made in developing a multi-agency Restorative Services 'Hub' for Cumbria. Partners committed to and engaged in The 'Hub' for Restorative Services have started to deliver RJ for victims. The Head of Partnerships and Commissioning will take forward this project in 2015 to embed the approach.	Chief Executive	31 March 2015

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CP2/3	Deliver improvements in services to victims in line with the Victims and Witnesses Action Plan and develop compliance with the Victims' Code of Practice, including specific improvements in relation to domestic and sexual violence identified in the 'Taking the Next Steps' review.	<p>Good progress has been made in delivering improvements for victims' services in line with the Victims' and Witnesses action plan and specifically in relation to victims of domestic and sexual violence. For example:</p> <p>A countywide ISVA (Independent Sexual Violence Adviser) service is in place.</p> <p>A countywide IDVA (Independent Domestic Violence Adviser) service is in place.</p> <p>A Domestic Violence perpetrator programme has been commissioned and will roll out during 2015.</p> <p>A Victim Care Unit (VCU) has been established in the county to deliver front line victim referral services for all victims of crime.</p> <p>A provider has been commissioned to deliver Cumbria based forensic examination services for victims from December 2015 when The Sexual Assault Referral Centre is open</p> <p>The Head of Partnerships and Commissioning will take forward the ongoing development of services for victims in 2015.</p>	Chief Executive	31 March 2015
CP2/4	Develop a prioritised plan for action and partnership working to make improvements in youth justice based on the findings of the review of youth justice.	Work has been undertaken with partners to address this area of activity, and is included within other work streams, such as restorative justice and services to victims.	Chief Executive	31 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	Develop and present to the Joint Audit and Standards Committee new reports monitoring the operation and effectiveness of arrangements for anti-fraud and corruption, the code of conduct and the PCC/Officer protocol	Action Complete: The first annual report was presented to committee on 23 June 2014 and is due to be reported upon again on 6 May 2015.	Chief Executive	31 May 2015

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CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.			
CP4/1	Implement a risk management development seminar for OPCC staff	This action has been completed as a seminar was held on 23 March 2015	Chief Executive	31 March 2015
CP4/2	Develop and present a report to the Joint Audit and Standards Committee on the operation and effectiveness of the arrangements for risk management	Action Complete. The first annual report was presented to committee on 23 June 2014 and is due to be reported upon again on 6 May 2015.	Chief Executive	31 March 2015
CP4/3	Implement actions arising from the review of internal audit by Grant Thornton and against the PSIAS	All actions have now been complete.	Chief Finance Officer	31 March 2015
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.			
CP5/1	Develop the arrangements for human resource policies following stage 2 transfer	A number of policies have been developed and implemented following consultation with staff and trade unions. The Head of Communications and Business Services will take forward the on-going development of this area in 2015-16.	Head of Communications and Business services	31 March 2015
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.			
CP6/1	Improve the presentation and accessibility of the statements of accounts and summary financial statements	Action complete: Improvements to the presentation of the statements have been recognised by the External Auditors and referenced in Grant Thornton's Local Government governance Review 2015.	Chief Finance Officer	31 Oct 2014
CP6/2	Work with the Constabulary to fully comply with information publication requirements for contracts	Action complete: Information on contracts is now available on the blue light procurement system through direct link from either the OPCC or Constabulary website. The Home Office has assessed compliance with the publication requirement.	Chief Finance Officer	31 March 2015



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Summary of Accounts 2014/15

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2014/15 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 2011.

The statement provides a breakdown of net spending during the year and shows the strong overall financial position of the Commissioner as at 31 March 2015. 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: www.cumbria-pcc.gov.uk. This introduction aims to provide a simplified summary of the financial statements as part of this publication. It is also available as stand-alone Summary Statement document on the same website, together with the single entity statements of the Chief Constable.

Statutory Framework

The Commissioner was established as a statutory entity under the Police Reform and Social Responsibility Act 2011 (PRSRA 2011). The PRSRA 2011 provides that there will be a Police and Crime Commissioner for each police area with responsibility for ensuring the maintenance of the police force for the area, securing that the police force is efficient and effective and holding the Chief Constable to account. The Commissioner has wider responsibilities than those solely relating to the police

force. These include responsibility for the delivery of community safety and crime reduction, the enhancement of the delivery of criminal justice in their area and providing support to victims.

The PRSRA 2011 also established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The Chief Constable is accountable to the Commissioner for leadership of the force, the delivery of efficient and effective policing and the management of resources and expenditure.

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 consolidated accounts in addition to single entity

Summary of Accounts 2014/15

accounts. The Chief Constable must publish single entity accounts and provide information to the Commissioner to support the publication of group accounts.

2014/15 Grant Settlement and Budget

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

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

The combined net revenue budget for the Commissioner and the Constabulary for 2014/15 of £96.714m was set by the Commissioner on 24 February 2014. Funding of this amount came from formula and police grants (£63.109m), and income from Council Tax (£33.605m). The capital budget was set at £10.214m and included provision for the new South Territorial Policing Area Headquarters at Barrow.

The budget was supported by an increase in Council Tax of 1.93%, taking the Commissioner's proportion of the band D equivalent tax to £208.62 per annum. The effect

of the increase is to support the medium term financial forecast and mitigate some of the impact of cost increases and reductions in government funding. The overall position on income, supported by the Council Tax, enabled the Commissioner to maintain the existing establishment of police officer and police and community support officer (PCSO) numbers for one year.

The Chief Constable was provided with funding of £112.24m to support policing, including a capital plant and equipment budget. The budget also provided £4.65m for Commissioned Services, to provide funding for partnership working across the Commissioner's wider community safety, crime reduction and victim support responsibilities.

The table below shows the summary revenue budget for 2014/15 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). 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
	2014/15	2014/15	2014/15	2014/15
	£000s	£000s	£000s	£000s
Constabulary Budget	105,664	105,785	105,527	(258)
Office of the PCC	850	850	816	(34)
Other PCC budgets	18,289	18,409	18,501	92
Grants/Contributions	(21,189)	(22,832)	(22,853)	(21)
To/(From) Reserves	(6,900)	(5,498)	(5,277)	221
Net Expenditure	96,714	96,714	96,714	0
Government Grants	(63,109)	(63,109)	(63,109)	0
Council Tax	(33,605)	(33,605)	(33,605)	0
Total External Funding	(96,714)	(96,714)	(96,714)	0

The presentation above is as the figures are reported throughout the year in the management accounts. At the year-end a number of technical accounting adjustments (required by proper accounting practice) are made. For this reason, the outturn in the table above will not reconcile directly to the Summary Comprehensive Income and Expenditure statement on page 8.

The constabulary budget is made up of funding for employee costs (Police Officers £72.65m, PCSO's £2.85m, Police Staff/other employee costs £19.83m), transport costs of £2.67m and supplies/other costs of £10.52m. The budget is shown net after taking into account £2.86m income. The Commissioner's budgets comprise the costs of running his office (£0.85m) and the net position on a range of other costs. These include estates costs (£3.87m for premises used by the Constabulary and Commissioner), Commissioned Services (£4.65m to fund investment in policing, victims and community safety services) and budgets to finance capital expenditure (£6.37m). PCC other budgets also include the costs of technical accounting adjustments, insurance and past pension costs. Overall expenditure was supported by a £5.28m contribution from reserves.

In-Year Financial Performance

Revenue Expenditure: The out-turn position for 2014/15, taking into account approved budget carry forwards, is a small net underspend of £221k, equating to 0.23% of the revised budget. Total expenditure has remained broadly in line with the set budget. The underspend is primarily attributable to an over-achievement of income. The additional income has arisen mainly as a result of mutual aid income in respect of policing of the NATO summit and other mutual aid events.

In approving the out-turn position, the Commissioner has agreed to the Chief Constable's request that the underspend be used as a contribution towards a small number of unbudgeted future costs that are likely to need resourcing from 2015/16.

The Commissioned Services budget for 2014/15 provided funding for initiatives in support of a number of the priorities identified within the Police and Crime Plan. This includes a significant investment in county wide CCTV, funding for community safety partnerships, sexual and domestic violence advisory services and support for services targeting reductions in youth offending. During 2014/15, to support more efficient and effective policing, the Commissioner also approved the start of a substantial programme of investment in mobile and digital working. The programme was successful in achieving matched funding from the Home Office Innovation Fund.

The Commissioner also maintains the Police Property Act Fund. This fund has been accumulated over a period of time as a result of the disposal of property coming into the possession of the police under the Police Property Act 1987 and the Powers of the Criminal Courts Act 1973. Community groups and individuals can submit applications for funding on a quarterly basis. During 2014/15 awards totaling £17k were made. As at 31 March 2015 the Police Property Act fund balance stood at £59k.

Capital Expenditure: In 2014/15 Capital Expenditure amounted to £9.46m against a budget of £13.01m. Whilst this represents a variance of £3.55m (27%), £2.8m is attributable to changes in the payment profile of the new HQ building at Barrow and £368k relates to delays in the delivery of CCTV. All other schemes have largely been delivered in accordance with the capital

programme profile. In respect of the Barrow Scheme, a number of severe weather incidents has resulted in the contractor submitting a revised schedule for receipt and payment of a number of major building components. This has impacted on the timing of payments only, with the scheme still on target to complete during 2015/16.

During 2014/15 the capital programme has delivered £2.2m investment in ICT. This has included cyclical replacement of radio, communications and network hardware, investment in mobile and digital equipment, a new system for case and custody management and the upgrade of command and control software for the communications center. £2.16m has been invested in the vehicle fleet, £4.18m on the building estate and £0.595m on the first stages of CCTV.



Arrangements for approving the budget and authorising capital schemes provide an effective level of challenge to ensure that resources are used economically, efficiently and effectively. Further challenge is provided by internal and external annual assessments of value for money. Her Majesty's Inspectorate of Constabulary (HMIC) 2014 inspection on value for Money assessed the Constabulary as good regarding steps being taken to ensure a secure financial position, provide policing in an affordable way and in being efficient. External auditors concluded that the Commissioner and Chief

Constable each have proper arrangements in place for challenging how they secure economy, efficiency and effectiveness and for securing financial resilience.

The Financial Statements

This section of the financial summary 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 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.

Summary of Accounts 2014/15

The Movement in Reserves statement is shown on page 21 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

Summary Movement in Reserves	Balance	Movements	Balance
	31/03/2014	2014/15	31/03/2015
	£000s	£000s	£000s
Police Fund	5,149	0	5,149
Earmarked Revenue Reserves	16,795	(2,951)	13,844
Earmarked Capital Reserves	10,870	(2,327)	8,543
Capital Receipts	1,043	(1,043)	0
Capital Grants Unapplied	3,866	866	4,732
Total Usable Reserves	37,723	(5,455)	32,268
Unusable Reserves	(975,593)	(152,698)	(1,128,291)
Total Reserves	(937,870)	(158,153)	(1,096,023)

Movements in Usable Reserves record the amounts we have taken out of specific (earmarked) reserves to help fund expenditure during the year, and any 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.

A general reserve, the Police Fund, provides for unplanned financial risks. The balance on the Police Fund at 31 March 2015 stands at £5.149m. During 2014/15 we used £2.95m of revenue reserves and £2.32m of capital reserves to fund expenditure. This included the use of revenue reserves for management of change costs and past service pension costs and the use of capital reserves for ICT and estates projects including the new HQ building at Barrow. Further detail on earmarked reserves is provided within note 5 to the statement of accounts on pages 35-36.

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 main unusable reserves are the Revaluation Reserve and Capital Adjustment Account, recording accounting transactions for our capital assets and the Pensions Reserve that records accounting transactions for the Police and Local Government Pension Schemes. The Pension's Reserve holds the biggest unusable reserve balance of £1,175m (£1,017m in 2013/14).

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.

This 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. A

Summary of Accounts 2014/15

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 105).

The CI&ES is shown on page 23 of the full statement of accounts. The table below sets out a summary CI&ES statement.

Summary CI&ES	Gross Expenditure 2014/15 £000s	Gross Income 2014/15 £000s	Net Expenditure 2014/15 £000s
Local Policing	49,138	(1,869)	47,269
Dealing with the public	7,168	(23)	7,145
Criminal justice arrangements	9,263	(381)	8,882
Road policing	7,387	(988)	6,399
Specialist operations	3,395	(617)	2,778
Intelligence	5,563	(94)	5,469
Investigation	13,383	(294)	13,089
Investigative support	3,328	(73)	3,255
National policing	1,849	(1,340)	509
Other costs	1,818	(1)	1,817
Cost of Services	102,292	(5,680)	96,612
Other operating expenditure	15,169	(15,275)	(106)
Financing Costs and Investment Income	49,324	(4,358)	44,966
Council tax and grant income	0	(103,849)	(103,849)
(surplus)/deficit on the provision of services	166,785	(129,162)	37,623
Other comprehensive income and expenditure			120,530
Total Comprehensive income and expenditure			158,153

The statement shows a net cost of services of £96.61m. Local policing, which includes the costs of neighbourhood policing, incident management, local investigation and community liaison is attributable for nearly half of that cost (£47.27m). 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 financing costs and investment income of £44.97m.

Financing costs includes the costs of borrowing (capital financing). Capital financing costs are extremely low other than those that fund the Workington PFI building. This reflects the Commissioner's decision to continue to finance the capital programme internally using cash reserves. The decision is influenced by the relatively low interest rates available on investing such balances. At the end of the financial year £17.04m (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.

The most significant element of net financing costs comprise Pension charges (£44.47m). These charges are calculated in accordance with generally accepted accounting practices and do not all need to be funded in the 2014/15 financial year. 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 £37.62m. A further accounting adjustment of £120.53m expenditure through the 'other comprehensive income and expenditure' line results in an overall position on the statement of a deficit of £158.15m. This is an accounting deficit that is taken to Unusable Reserves. Page 4 of this summary sets out the out-turn position based on the management accounts, and excluding the technical accounting entries required

Summary of Accounts 2014/15

for the CI&ES. The management accounts show an underspend of £221k against the 2014/15 budget.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2015) of the Commissioner's assets and liabilities. The balance sheet is shown on page 25 in the full statement of accounts. The table below sets out a summary balance sheet.

Summary Balance Sheet	Balance	Balance
	31/03/2014	31/03/2015
	£000s	£000s
Property, plant & equipment	60,850	64,329
Intangible assets	643	486
Current assets	34,208	31,556
Current Liabilities	(10,822)	(11,095)
Long Term Liabilities	(1,022,749)	(1,181,299)
Net Assets	(937,870)	(1,096,023)
Usable reserves	37,723	32,268
Unusable Reserves	(975,593)	(1,128,291)
Total reserves	(937,870)	(1,096,023)

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 £64.33m. Current assets comprising investments, debtors and cash have a value of £31.56m. The Commissioner has a good collection record in respect of debtor invoices raised for services provided. During 2014/15 35 sundry debtor invoices totaling £7,792 were authorised to be written off as not collectable. The Bad Debt Provision stands at £1,206 (£4,172 in 2013/14) against the future risk that not all outstanding invoices will prove to be 100% collectable. See note 11 to the statement of accounts (Page 46).

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.

Long term liabilities are the most significant figure on the balance sheet, showing a balance of £1,181m (£1,023m in 2013/14). The main element of this amount is a pension's deficit of £1,175m (£1,017m in 2013/14) 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 a 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 amount of net cash flows arising from operating activity represents how much cash has been received from 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.

Net cash flows from investing activity mainly relate to how much cash has been deposited in short and long term investments and how much cash has been received when the investment comes to the end of its term. This is usually the original deposit plus interest. Investment activity provides a way to manage resources that will be used to fund future expenditure, earning interest on any balances. Investment activity within the cash flow statement also includes cash flows from the purchase and sale of capital assets (e.g. property).

Cash flows arising from financing activities show the net amount of cash used in relation to borrowing. The Commissioner has no borrowing other than that which relates to finance leases and the PFI agreement. The cash flow entry on the cash flow statement represents the cash that has been paid to reduce those debts during the year.

The statement is shown on pages 26-27 of the full statement of accounts. The table below sets out a summary cash flow statement.

Summary Cash Flow Statement	Cash flows 2013/14 £000s	Cash flows 2014/15 £000s
Cash & Cash Equivalents 1 April	(10,680)	(11,310)
Net cash flow from:		
Operating activity	(8,453)	(2,756)
Investing activity	7,737	7,096
Financing activity	86	89
Cash & Cash Equivalents 31 March, made up of:	(11,310)	(6,881)
Bank Accounts	(105)	(2,577)
Money Market Funds	(11,205)	(4,304)

The Commissioner's cash flow statement shows a balance of £6.88m, compared to £11.31m in 2013/14.

This means that during the financial year, there has been a decrease in cash and cash equivalents. This has arisen from a lower level of cash flow being generated through operating activity creating a net cash inflow of £2.76m in 2014/15 compared to £8.45m in 2013/14. Investing activities showing a net cash outflow of £7.10m during the year with £4.30m in money market funds and £2.58m in banks at the year end.

Police Officer Pension Fund Accounts

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 of Accounts 2014/15

Summary Police Pension Fund	Pension Fund A/C 2013/14 £000s	Pension Fund A/C 2014/15 £000s
Contributions - Employer	(9,772)	(9,794)
Contributions - Officers	(5,277)	(5,515)
Contributions - Other	(767)	(444)
Benefits Payable	30,392	30,503
Other Payments	182	419
Net Amount Payable	14,758	15,169
Contribution from Home Office	(14,758)	(15,169)
Net Amount Payable	0	0

The statement identifies contributions into the fund of £9.79m from the Constabulary (employer) and £5.52m from police officers. In total £30.50m of pensions have been paid out of the fund. The balance between contributions and those pensions' benefits of £15.17m has been funded by the Home Office. The full police officer pension fund account is shown on pages 68 to 69 of the financial statements accompanied with a page of explanatory notes.

Supporting Information to the Financial Statements

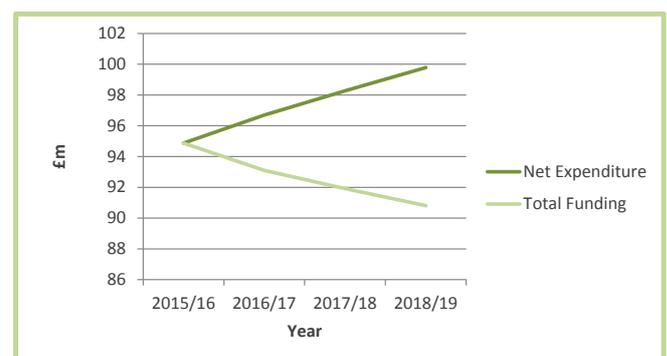
The key financial statements are supplemented by an explanation of the accounting policies used in preparing the statements. They also contain a comprehensive set of notes that explain in more detail a number of entries in the primary financial statements. A glossary of terms provides an explanation 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 2011 Accounts and Audit (England) Regulations.

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the strong overall financial position of the Commissioner as at 31 March 2015. This has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of future reductions in government funding. This has enabled reserves to be maintained at a level that provides some financial resilience. This is in the context of uncertainty regarding future national funding allocations and changes to the funding formula that is used to distribute government funding to policing areas. Whilst the outlook is financially resilient in the short term, it is expected to become significantly more challenging over the next few years.

Significantly the budget approved on 24 February 2015 for the 2015/16 financial year was set in the context of a four year medium term financial forecast that is dependent on over £10m of savings being delivered over and above £16m that have already been found since 2010.

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



During 2015 a new spending review is expected to provide more certainty with regard to the total level of resources available. Announcements are also anticipated regarding changes to police formula funding that will impact on how national resources are distributed.

The Commissioner and Chief Constable continue to work to develop and implement organisational changes that will address the future gap between expenditure and income.

Acknowledgements

The financial statements were authorised for issue by me as PCC Chief Finance Officer (CFO), on 28 May 2015 and following completion of the audit, they will be presented for approval by the Chief Constable at a joint meeting of the Executive Board and Joint Audit and Standards Committee.

Ruth Hunter

PCC Chief Finance Officer/Deputy Chief Executive

The accounts present a true and fair view of the position of the Police and Crime Commissioner's Group Accounts as at 31 March 2015 and its income and expenditure for the year there ended.

PCC Chief Finance Officer/Deputy Chief Executive

Ruth Hunter CPFA _____ Date 28 May 2015

The accounts have been signed off and authorised for issue by the PCC CFO on 28 May 2015. At this point the appointed auditor from Grant Thornton UK LLP has not completed her annual audit and as such has not given an opinion. The accounts are therefore watermarked "subject to audit". Once the audit has been completed (expected September 2015), the audit opinion will be provided and the accounts will be presented to the Commissioner at a joint meeting of the Executive Board and the Joint Audit and Standards Committee for approval.



The Chief Constable for Cumbria Constabulary

Statement of Accounts | 2014/15



This draft Statement of Accounts was approved by the CC Chief Finance Officer on 28 May 2015. At this point the Grant Thornton UK LLP 'appointed auditor' has not yet completed her annual audit and as such has not given an opinion on the accounts. The accounts are therefore watermarked 'subject to audit'. Once the audit has been completed, which is expected to be in September, the Chief Constable will be asked to approve the Statements and the audit opinion provided will be inserted at pages 13 to 16 and the watermarking removed. Pages 11 and 69 of these accounts includes signatures which have been removed for the purposes of publication on the website.



The Chief Constable for Cumbria
Constabulary

Statement of Accounts 2014/15

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 2014/15 is available on the Constabulary's website at www.cumbria.police.uk

The corresponding accounts for the Police and Crime Commissioner can be found on the Commissioner's website at: www.cumbria-pcc.gov.uk.



The Statement of Accounts is also available in printed format from the office of the Police and Crime Commissioner for a nominal fee of £10 per copy.

Alternative Formats



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

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The Chief Constable for Cumbria Constabulary

Statement of Accounts 2014/15

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The CC CFO Introduction, for a quick highly summarised version of this statement of accounts please read the next 9 pages. The full story starts on page 12, please read that too.

Please see page 21 for a full list of the notes to the accounts and cross references to page numbers.

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2014/15 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 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 2011.

The statement provides a breakdown of net spending during the year and shows the overall financial position of the Chief Constable as at 31 March 2015. The reporting format is specifically designed to meet the requirements of the Code of Practice on Local Authority Accounting. A series of notes are provided to assist readers in their understanding of the statement, whilst the presentational format is designed to make for easier reading by those who access the document through the Chief Constable's website: www.cumbria.police.uk. This introduction aims to provide a simplified summary of the financial statements as part of this publication. It is also available as stand-alone Summary Statement document on the same website. The Commissioner's consolidated financial statements can be accessed from the Commissioner's website: www.cumbria-pcc.gov.uk.

Statutory Framework

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

The PRSRA 2011 established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The Chief Constable is accountable to the Commissioner for leadership of the force, the delivery of efficient and effective policing and the management of resources and expenditure for the police force.

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

England and Wales. The Code supports the statutory 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.

2014/15 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 2014/15 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

Summary Budget and Outturn

The Chief Constable's budget amounting to £105.66m is based upon the funding agreement with the Commissioner.

The table below shows the summary budget for 2014/15 as set on 24 February 2014, 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 2014/15 £000s	Revised Budget 2014/15 £000s	Provisional Outturn 2014/15 £000s	(Under)/ Overspend 2014/15 £000s
Police Officers	72,651	74,246	74,379	133
PCSOs	2,848	2,792	2,648	(144)
Police Staff	19,251	19,128	19,193	65
Other Employee	582	863	1,100	237
Transport	2,672	2,547	2,272	(275)
Supplies & Services	9,231	9,285	9,463	178
Third party Related	1,289	1,565	1,423	(142)
Total Expenditure	108,524	110,426	110,478	52
Income	(2,860)	(4,641)	(4,951)	(310)
Total Constabulary	105,664	105,785	105,527	(258)

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 £95.33m, which is broken down into Police Officers £72.65m, PCSO's £2.85m, Police Staff £19.25m and other employee costs of £0.58m. The remainder of the budget relates to non-staff costs including, transport costs of £2.67m and supplies/other costs of £10.52m. Income of £2.86m, 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 2014/15, compared to the revised budget and after taking into account approved budget carry forwards, is an underspend of £258k.

During the year the Constabulary experienced downward pressure on some budget headings through a combination of higher than anticipated turnover of police officers, the unexpected fall in the price of fuel and additional mutual aid income arising from the Constabulary's contribution to policing the NATO summit in Wales.

The early identification of potential under-spending allowed the budget to be pro-actively managed and has facilitated investment in staff and specialist ICT resources to deliver enhanced technology. In particular, the capacity for mobile and digital working is being developed, which will improve the future productivity and visibility of officers and staff.

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 £9.46m in 2014/15 are shown in the financial statements of the Commissioner. This included investment in a new Territorial Policing HQ in Barrow and a range of ICT systems to support operational policing including a network of CCTV across the County.

The Financial Statements

This section of the financial summary provides an explanation of the various parts of the financial statement alongside a high level summary and narrative on the financial position. 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 17 in the full statement of accounts.

The table below sets out a summary movement in reserves statement.

Summary Movement in Reserves	Balance 31/03/2014	Movements 2014/15	Balance 31/03/2015
	£000s	£000s	£000s
Police Pensions Reserve	(999,400)	(143,170)	(1,142,570)
LGPS Pensions Reserve	(16,776)	(14,605)	(31,381)
Accumulated Absences Reserve	(3,336)	652	(2,684)
Total Reserves	(1,019,512)	(157,123)	(1,176,635)

The reserves shown above on the Chief Constable's movement in reserves statement are all classed as 'unusable' and principally record the Chief Constable's accounting entries in relation to the Police and Local Government Pension Schemes. Accounting adjustments made through the unusable reserves provide a mechanism through which transactions are reflected in the accounts in accordance with proper accounting practices, whilst allowing the statutory amounts required to be charged for council tax purposes.

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 £5.149m to meet unplanned risks and earmarked reserves of £22.38m for specific revenue and capital purposes. During 2014/15 a total of £5.28m of the Commissioner's earmarked reserves were drawn down to fund revenue and 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 18 of the full statement of accounts.

CC Chief Finance Officer Introduction and Summary of Accounts

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

Summary CI&ES	Gross Expenditure 2014/15 £000s	Gross Income 2014/15 £000s	Net Expenditure 2014/15 £000s
Local Policing	48,051	(101)	47,950
Dealing with the public	7,010	(1)	7,009
Criminal justice arrangements	9,058	(21)	9,037
Road policing	7,224	(53)	7,171
Specialist operations	3,320	(33)	3,287
Intelligence	5,440	(5)	5,435
Investigation	13,087	(16)	13,071
Investigative support	3,254	(4)	3,250
National policing	1,807	(72)	1,735
Other costs	1,034	0	1,034
Funding Provided by PCC to CC	0	(106,912)	(106,912)
Cost of Services	99,285	(107,218)	(7,933)
Financing Costs and Investment Income	48,549	(4,093)	44,456
(surplus)/deficit on the provision of services	147,834	(111,311)	36,523
Other comprehensive income and expenditure			120,539
Total Comprehensive income and expenditure			157,062

The statement shows that the net cost of providing policing services amounted to almost £99m in 2014/15. Of this figure local policing services, which include neighbourhood policing, incident management, 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 31 of the full statement of accounts.

In addition, the CI&ES also records a number of technical adjustments including 'financing costs & investment income' £44.46m and 'other comprehensive income and expenditure' £120.54m, which show changes to future pensions obligations over the year based on proper accounting practices. The overall effect of the cost of providing services and the pensions adjustment is to produce an accounting deficit of £157m for the year, which largely impacts on unusable pensions reserves. The analysis on page 4 of this summary, based on the management accounts, shows a surplus of £258k.

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 62.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2015) of the Chief Constable's assets and liabilities.

CC Chief Finance Officer Introduction and Summary of Accounts

The table below sets out the summary balance sheet for the Chief Constable.

Summary Balance Sheet	Balance	Balance
	31/03/2014	31/03/2015
	£000s	£000s
Current assets	8,869	11,740
Current Liabilities	(11,415)	(12,994)
Long Term Liabilities	(1,016,966)	(1,175,381)
Net Assets	(1,019,512)	(1,176,635)
Unusable Reserves	(1,019,512)	(1,176,635)
Total reserves	(1,019,512)	(1,176,635)

The Chief Constable's current assets (£11.7m) 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 (£13m) 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 (£1,175m) 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 19 in the full statement of accounts.

The Chief Constable's 2014/15 balance sheet shows a combined pensions deficit of £1,174m (£1,016m in

2013/14) 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 20 of the full statement of accounts.

The table below provides a summary of the cash flow statement:

Summary Cash Flow Statement	Cash flows	Cash flows
	2013/14	2014/15
	£000s	£000s
Cash & Cash Equivalents 1 April	0	0
Net (Surplus)/Deficit on the provision of services	42,071	36,523
Adjustments for non-cash movements	(42,071)	(36,523)
Net cash flows from operating activities	0	0
Cash & Cash Equivalents 31 March	0	0

Police Officer Pension Fund Accounts

This statement sets out the transactions on the Police Officer pension fund account for the year. The statement records all of the contributions that have been made to the pension fund during the year. These are primarily contributions from employees and the Constabulary as employer. Contribution rates are set nationally by the Home Office. There are also small amounts of other contributions, either from officers joining the scheme in the year and transferring in existing pensions benefits or additional contributions from the employer to cover the cost of ill-health retirements.

The fund also records the benefits paid out of the fund to its members. Any difference between the contributions received into the fund and amount paid out is met by government grant, paid through the Commissioner. This means that the police pension fund always balances to nil.

A summary of the pension fund is shown below.

Summary Police Pension Fund	Pension Fund A/C 2013/14 £000s	Pension Fund A/C 2014/15 £000s
Contributions - Employer	(9,772)	(9,794)
Contributions - Officers	(5,277)	(5,515)
Contributions - Other	(767)	(444)
Benefits Payable	30,392	30,503
Other Payments	182	419
Net Amount Payable	14,758	15,169
Contribution from Home Office	(14,758)	(15,169)
Net Amount Payable	0	0

The statement identifies contributions made in 2014/15 totaling £15.75m. The pension benefits that are payable from the fund, together with other payments amounted to £30.92m. The balance between contributions and pensions' benefits paid of £15.17m has been funded by the Home Office. The full pensions fund accounts and note can be found on pages 39-40 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 2011 Accounts and Audit (England) Regulations.

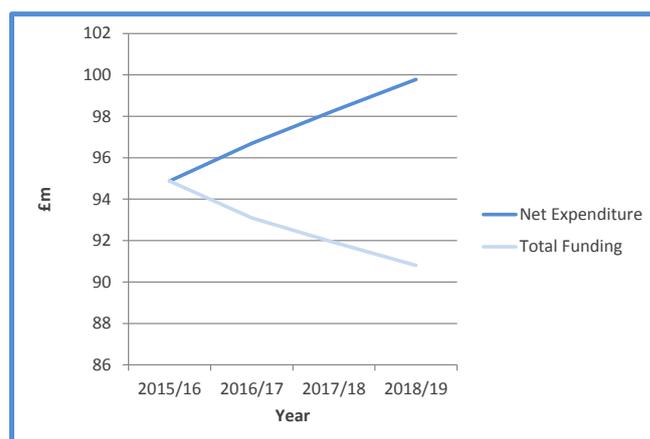
The Annual Governance Statement of the Chief Constable can be found in (Annex C) of this Statement of Accounts on pages 65-98 or on the Constabulary website at: www.cumbria.police.uk.

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the strong overall financial position of the Commissioner and Chief Constable as at 31 March 2015. This has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of future reductions in government funding. This has enabled reserves to be maintained at a level that provides some financial resilience. This is in the context of uncertainty regarding future national funding allocations and changes to the funding formula that is used to distribute government funding to policing areas. Whilst the outlook is financially resilient in the short term, it is expected to become significantly more challenging over the next few years.

Significantly, the budget approved on 24 February 2015 for the 2015/16 financial year was set in the context of a four year medium term financial forecast that is dependent on over £10m of savings being delivered, over and above £16m that have already been found since 2010.

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



During 2015 a new spending review is expected to provide more certainty with regard to the total level of resources available. Announcements are also anticipated regarding changes to police formula funding that will impact on how national resources are distributed.

The Commissioner and Chief Constable continue to work to develop and implement organisational changes that will address the future gap between expenditure and income.

Acknowledgements

The financial statements were authorised for issue by me as CC Chief Finance Officer (CFO), on 28 May 2015 and following completion of the audit, they will be presented for approval by the Chief Constable at a joint meeting of the Executive Board and Joint Audit and Standards Committee.

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 Commissioner's 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 2015 and its income and expenditure for the year there ended.

CC Chief Finance Officer

Roger Marshall CPFA _____ Date 28 May 2015

The accounts have been signed off and authorised for issue by the CC CFO on 28 May 2015. At this point the appointed auditor from Grant Thornton UK LLP has not completed her annual audit and as such has not given an opinion. The accounts are therefore watermarked "subject to audit". Once the audit has been completed (expected September 2015), the audit opinion will be provided and the accounts will be presented to the Commissioner at a joint meeting of the Executive Board and the Joint Audit and Standards Committee for approval.

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 2015.



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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure) and other 'Unusable reserves'. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

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

Movement in Reserves Statement (CC) Figures for 2014/15										
	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
Usable Reserves										
Chief Constable's Constabulary Fund	0	(36,523)	0	(36,523)	36,523	0	0	0	0	0
Total Usable Reserves	0	(36,523)	0	(36,523)	36,523	0	0	0	0	0
Unusable Reserves										
Chief Constable's Police Pension Reserve	(999,400)	0	(105,250)	(105,250)	(37,920)	0	(143,170)	0	(143,170)	(1,142,570)
Chief Constable's LGPS Pension Reserve	(16,776)	0	(15,289)	(15,289)	745	(61)	(14,605)	0	(14,605)	(31,381)
Chief Constable's Accumulated Absences Account	(3,336)	0	0	0	652	0	652	0	652	(2,684)
Total Unusable Reserves	(1,019,512)	0	(120,539)	(120,539)	(36,523)	(61)	(157,123)	0	(157,123)	(1,176,635)
Total Reserves	(1,019,512)	(36,523)	(120,539)	(157,062)	0	(61)	(157,123)	0	(157,123)	(1,176,635)

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

Movement in Reserves Statement (CC) Figures for 2013/14										
	Balance at 1 April 2013	Surplus / (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Transfers between usable and unusable reserves	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase / (decrease) in 2013/14	Balance at 31 March 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Chief Constable's Constabulary Fund	0	(42,071)	0	(42,071)	42,071	0	0	0	0	0
Chief Constable's Police Pension Reserve	(1,010,490)	0	0	0	0	1,010,490	1,010,490	0	1,010,490	0
Chief Constable's LGPS Pension Reserve	(28,804)	0	0	0	0	28,804	28,804	0	28,804	0
Chief Constable's Accumulated Absences Account	(3,645)	0	0	0	0	3,645	3,645	0	3,645	0
Total Usable Reserves	(1,042,939)	(42,071)	0	(42,071)	42,071	1,042,939	1,042,939	0	1,042,939	0
Unusable Reserves										
Chief Constable's Police Pension Reserve	0	0	51,350	51,350	(40,260)	(1,010,490)	(999,400)	0	(999,400)	(999,400)
Chief Constable's LGPS Pension Reserve	0	0	14,148	14,148	(2,120)	(28,804)	(16,776)	0	(16,776)	(16,776)
Chief Constable's Accumulated Absences Account	0	0	0	0	309	(3,645)	(3,336)	0	(3,336)	(3,336)
Total Unusable Reserves	0	0	65,498	65,498	(42,071)	(1,042,939)	(1,019,512)	0	(1,019,512)	(1,019,512)
Total Reserves	(1,042,939)	(42,071)	65,498	23,427	0	0	23,427	0	23,427	(1,019,512)

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
			2013/14 Gross Expenditure £000s	2013/14 Gross Income £000s	2013/14 Net Expenditure £000s	2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s
	Local Policing	12	48,555	(51)	48,504	48,051	(101)	47,950
	Dealing with the public	12	7,379	(1)	7,378	7,010	(1)	7,009
	Criminal justice arrangements	12	9,052	(11)	9,041	9,058	(21)	9,037
	Road policing	12	6,892	(25)	6,867	7,224	(53)	7,171
	Specialist operations	12	4,015	(12)	4,003	3,320	(33)	3,287
	Intelligence	12	5,821	(6)	5,815	5,440	(5)	5,435
	Investigations	12	13,889	(8)	13,881	13,087	(16)	13,071
	Investigative support	12	3,115	(1)	3,114	3,254	(4)	3,250
	National policing	12	1,452	(25)	1,427	1,807	(72)	1,735
	Corporate and democratic core	12	299	0	299	312	0	312
	Non distributed costs	12	88	0	88	47	0	47
	Termination Payments	17	671	0	671	675	0	675
	Funding Provided by PCC to CC		0	(103,613)	(103,613)	0	(106,912)	(106,912)
	Cost Of Services		101,228	(103,753)	(2,525)	99,285	(107,218)	(7,933)
	Financing and Investment Income and Expenditure							
	Net Interest on the net defined benefit liability	Annex B	48,031	(3,435)	44,596	48,549	(4,093)	44,456
			48,031	(3,435)	44,596	48,549	(4,093)	44,456
	(Surplus) or Deficit on Provision of Services		149,259	(107,188)	42,071	147,834	(111,311)	36,523
	Remeasurement of the net defined pension benefit liability/asset	Annex B			(65,498)			120,539
	Other Comprehensive Income and Expenditure				(65,498)			120,539
	Total Comprehensive Income and Expenditure				(23,427)			157,062

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 2014	31 March 2015
		£000s	£000s
Inventories		326	295
Short Term Debtors (amounts owed to CC by PCC re CC share of external Debtors)	7	2,878	4,249
Short Term Debtors (amounts owed to CC by employees re accumulated absences)	7	108	215
Short Term Debtors (funding balance owed to CC by PCC)	7	5,557	6,981
Current Assets		8,869	11,740
Short Term Creditors (amounts owed by CC to PCC re share of external creditors)	8	(4,767)	(5,551)
Short Term Creditors (amounts owed by CC to employees re accumulated absences)	8	(3,444)	(2,900)
Short Term Creditors (funding balance due from CC to PCC)	8	(3,204)	(4,543)
Current Liabilities		(11,415)	(12,994)
Provisions	9	(790)	(1,430)
Other Long Term Liabilities			
Pensions liability - Police	Annex B	(999,400)	(1,142,570)
Pensions liability - LGPS	Annex B	(16,776)	(31,381)
Long Term Liabilities		(1,016,966)	(1,175,381)
Net Assets		(1,019,512)	(1,176,635)
Unusable Reserves			
Pensions Reserve - Police	11a	(999,400)	(1,142,570)
Pensions Reserve - LGPS	11a	(16,776)	(31,381)
Accumulated Absences Account	11b	(3,336)	(2,684)
		(1,019,512)	(1,176,635)
Total Reserves		(1,019,512)	(1,176,635)

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.

Cash Flow Statement (CC)		CC 2013/14 £000s	CC 2014/15 £000s
Net (Surplus) or Deficit on the provision of services		42,071	36,523
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(42,071)	(36,523)
Net cash flows from Operating Activities		0	0
CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:			
Pension Liability (Contributions to/from Pensions Reserve)		(42,381)	(37,175)
Creditors - Adjustment re CC Share of Debtors		226	1,480
Creditors - Adjustment re Balance of Funding due from PCC to CC		129	1,424
Debtors - Adjustment re CC Share of Creditors		(291)	(241)
Debtors - Adjustment re Balance of Funding due from CC to PCC		(243)	(1,339)
Stock - Change in Balance Sheet		24	(32)
Provisions - Change in Balance Sheet		465	(640)
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(42,071)	(36,523)

Notes to the Accounts

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The notes to the accounts are provided to aid the understanding of material items within the core financial statements. As a general rule, the column showing the figures for 2014/15 will be highlighted, whilst the comparatives for 2013/14 (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 41-43. 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 44 to 52 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 May 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



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 2015 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
Provisions	The Chief Constable has made a provision of £495k for the settlement of insurance liabilities for a number of eventualities which are not covered by external insurers. The provision is based on an actuarial estimate but it is not yet certain that all valid claims have yet been received by the Chief Constable.	An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £50k to the provision needed.
	The Chief Constable has made a provision of £555k in respect of termination costs (redundancy and additional pensions) in respect of redundancies to which the Constabulary had made an offer and could no longer withdraw as at 31 March 2015 which will take place in 2015/16.	Throughout the period of reorganisation, termination costs have been met from the Management of Change Reserve (held on the balance sheet of the Commissioner) established for this purpose, any increase in the costs of termination (over and above that in the provision) will be met from the reserve. Any increase or decrease in the actual amount paid compared to the established provision will fall to the revenue budget for 2015/16.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the 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).	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 55-61).

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 2014/15 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	CC	CC	CC	CC	CC
		Constabulary	Police	LGPS	Accumulated	Total
		Fund Balance	Pension Reserve	Pension Reserve	Absences Account	Reserves
		£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	Annex B	67,789	(63,910)	(3,879)	0	0
Employer's pension contributions and direct payments to pensioners payable in the year	Annex B	(30,614)	25,990	4,624	0	0
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	11b	(652)	0	0	652	0
Total Adjustments		36,523	(37,920)	745	652	0

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	CC	CC	CC	CC	CC
		Constabulary	Police	LGPS	Accumulated	Total
		Fund Balance	Pension Reserve	Pension Reserve	Absences Account	Reserves
		£000s	£000s	£000s	£000s	£000s
Other Comprehensive Income & Expenditure						
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 19)	Annex B	70,867	(65,890)	(4,977)	0	0
Employer's pension contributions and direct payments to pensioners payable in the year	Annex B	(28,487)	25,630	2,857	0	0
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	11b	(309)	0	0	309	0
Total Adjustments		42,071	(40,260)	(2,120)	309	0

Notes to the Accounts

5 Audit Fees

In 2014/15 the [Chief Constable](#) incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	CC 2013/14 £000s	CC 2014/15 £000s
Amounts Relating to The Chief Constable		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	20	20
Rebate from Audit Commission in year.	(2)	(2)
Other Services		
Fees payable in respect of <i>other services</i> provided by Grant Thornton during the year.	0	7
Total External Audit Fees for Year	18	25

The table above includes fees paid in relation to 'other services' these fees payable in 2014/15 related to an annual contract (starting in 2014/15) for the provision of specialist VAT and Tax advice and to 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 53 to 54.

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 2015 with comparative information for the previous year is set out in the table below:

Short-term Debtors	CC As at 31 March	
	2014 £000s	2015 £000s
Balance Owed from PCC re CC Share of External Debtors		
- Police pensions prepayment	2,018	2,104
- Prepayments/Payments in Advance	861	2,145
	2,879	4,249
Balance Owed from Employees (re accumulated Absences)	107	215
Balance Owed from PCC re Balance of Funding	5,557	6,981
Total Debtors	8,543	11,445

8 Short-term Creditors

An analysis of the amounts owed by the [Chief Constable](#) as at 31 March 2015 with comparative information for the previous year is set out in the table below:

Short-term Creditors	CC As at 31 March	
	2014 £000s	2015 £000s
Balance Owed to PCC re CC Share of External Creditors		
- Central Government Bodies	(1,824)	(1,809)
- Other Police/Local Authorities	(724)	(274)
- NHS Bodies	(4)	(19)
Other Entities and Individuals		
- Goods & Services	(2,215)	(3,449)
Balance owed to Employees (re accumulated absences)	(3,444)	(2,900)
Balance owed to PCC re balance of Funding	(3,204)	(4,543)
Total Creditors	(11,415)	(12,994)

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 2015 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 - 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 2015.

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)
Total Provisions	(790)	(849)	204	5	(1,430)

The comparative information for year ended 31 March 2014 is as follows:

Provisions	Balance as at 01/04/13	Additional Provisions Made 2013/14	Amounts Used in 2013/14	Unused Amounts Reversed in 2013/14	Balance as at 31/03/14
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(593)	(52)	150	0	(495)
Termination Payments	(532)	(45)	194	338	(45)
Legal Claims	(130)	(250)	122	8	(250)
Total Provisions	(1,255)	(347)	466	346	(790)

10 Pensions

The Chief Constable participates in the Local Government Pension Scheme (LGPS) for Police Staff and a two 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 55 to 61.

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	
	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s
Balance at Start of Year	(28,804)	(16,776)	(1,010,490)	(999,400)
Adjustment to Opening Balance	0	(61)	0	0
Adjusted Balance at Start of Year	(28,804)	(16,837)	(1,010,490)	(999,400)
Remeasurement of the net defined pension benefit liability/asset	14,148	(15,289)	51,350	(105,250)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,977)	(3,879)	(65,890)	(63,910)
Employer's pension contributions and direct payments to pensioners payable in the year.	2,857	4,624	25,630	25,990
Balance at End of Year	(16,776)	(31,381)	(999,400)	(1,142,570)

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 2013/14 £000s	CC 2014/15 £000s
Balance 1 April per 2012/13 Statement of Accounts (unusable Reserves)	(3,645)	(3,336)
Settlement or cancellation of accrual made at the end of the preceeding year	3,645	3,336
Amounts accrued at the end of the current year	(3,336)	(2,684)
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	309	652
Balance at End of Year	(3,336)	(2,684)



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 and specialist investigation.
- 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 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.

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
	2013/14	2014/15
	£000s	£000s
Basic Allowance	9	9
Travel and Subsistence	7	8
	16	17

The above table includes for 2013/14 the 4 appointed members of the Joint Audit and Standards Committee together with travel allowances payable to independent custody visitors. During 2014/15 an Ethics and Integrity Panel was established which consists of 4 members. 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 table for 2014/15 includes members of the Extended Chief Officer Group which is the formal decision making body for the Constabulary.

The comparative note provided for 2013/14 includes the costs of the temporary Chief Constable who was suspended on full pay in September 2012 and remained suspended until September 2013, at which time he returned to his substantive role as Deputy Chief Constable before retiring from service in December 2013. A Temporary Chief Constable was seconded from Merseyside Police to cover the role until the new Chief Constable was appointed in August 2014. The seconded Chief Constable continued to be paid by the Police and Crime Commissioner for Merseyside. Merseyside have recharged costs of this secondment amounting to £71k to the Police and crime Commissioner for Cumbria for the period April 2014 to July 2014, these costs are included in the accounts of the Chief Constable as third party related expenditure rather than as employee costs and are therefore excluded from the table below.

Notes to the Accounts

The table below gives the information for 2014/15 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowan ces	Termination Pay & Compensation for Loss of Office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Chief Constable									
Chief Constable	1	128	7	0	0	3	139	31	169
Deputy Chief Constable	2	110	8	0	0	2	119	27	146
Temporary Assistant Chief Constable	3	93	6	0	0	0	98	20	119
Chief Superintendent (A)	4	78	1	0	1	3	83	19	102
Chief Superintendent (B)	5	9	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	62	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	90
Director of Corporate Improvement		71	1	0	0	0	72	9	81
Director of Legal Services		71	1	0	1	0	74	9	83
Total Chief Constable		985	31	10	7	23	1,056	202	1,259

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

The table below gives the comparative information for 2013/14 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowan ces	Termination Pay & Compensation for Loss of Office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Chief Constable									
Temp. Chief Constable	1	91	1	9	5	3	109	13	122
Temp. Deputy Chief Constable (A)	2	108	4	0	3	2	117	26	143
Deputy Chief Constable (B)	3	108	7	0	0	3	118	26	144
Chief Superintendent (A)	4	29	1	0	0	5	35	7	42
Chief Superintendent (B)		79	1	0	2	5	87	19	106
Chief Superintendent (C)	5	33	1	0	0	1	35	8	43
Chief Superintendent (D)		79	2	0	0	0	81	19	100
Superintendent		73	2	0	1	3	79	18	97
CC Chief Finance Officer		56	0	0	0	0	56	6	62
Director of Corporate Support		77	0	0	0	0	77	8	85
Director of Corporate Improvement		71					71	8	79
Director of Legal Services		71	1	0	1	0	73	8	81
Total CC		875	20	9	12	22	938	166	1,104

Notes:

- 1 Temporary Chief Constable (A) was suspended on full on full pay in September 2012 and remained under suspension until September 2013, at which time he returned to his substantive role as Deputy Chief Constable before retiring from office in December 2013.
- 2 Temporary Deputy Chief Constable (A) was in post as Temporary DCC until 09/09/13 and then reverted to the role of Assistant Chief Constable.
- 3 Deputy Chief Constable (B) was in post as Assistant Chief Constable until 01/01/14 and was then appointed to the role of Deputy Chief Constable.
- 4 Chief Superintendent A retired from office on 13/08/13
- 5 Chief Superintendent C resigned from office on 01/09/13

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	2013/14			2014/15		
	CC Police Staff	CC Snr Police Officers	CC Total	CC Police Staff	CC Snr Police Officers	CC Total
£50,000 to £54,999	3	0	3	2	0	2
£55,000 to £59,999	1	0	1	3	0	3
£60,000 to £64,999	2	0	2	0	0	0
£65,000 to £69,999	2	0	2	0	1	1
£70,000 to £74,999	0	0	0	3	0	3
£75,000 to £79,999	0	1	1	1	1	2
£80,000 to £84,999	0	1	1	0	1	1
£85,000 to £89,999	0	0	0	0	0	0
£90,000 to £94,999	0	0	0	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	1	1	0	0	0
£110,000 to £114,999	0	2	2	0	1	1
£115,000 to £119,999	0	0	0	0	0	0
£120,000 to £124,999	0	0	0	0	0	0
£125,000 to £129,999	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	1	1
Total	8	5	13	9	6	15

The above table includes only those police staff deemed as operational over which the [Chief Constable](#) has delegation and direction and control. Other police staff in support functions for which decision making rests with [the Commissioner's](#) Chief Executive are included in the single entity statements of the Commissioner. These staff provide support on a shared service basis to the Commissioner and the Chief Constable and are recharged between the single entity statements.

In 2014/15 the remuneration for 74 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	
	2013/14 Headcount	2014/15 Headcount	2013/14 Headcount	2014/15 Headcount	2013/14 Headcount	2014/15 Headcount	2013/14 £000's	2014/15 £000's
£0-£20,000	12	2	12	0	24	2	292	23
£20,001 - £40,000	3	2	6	1	9	3	245	102
£40,001 - £60,000	1	0	2	0	3	0	161	0
£60,001 - £80,000	1	0	1	0	2	0	122	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	17	4	21	1	38	5	820	125

17 Termination Payments

During 2014/15 the contracts of a number of employees were terminated incurring termination payments amounting to £675k (£671k in 2013/14). As this amount is significant in terms of the 2014/15 accounts the amount has been shown as a separate item on the face of the Comprehensive Income and Expenditure Statement (page 18).

This amount is made up exit packages paid in 2014/15 and a provision for exit packages to be paid in 2015/16 where the decision to terminate employment has been made in 2014/15.

The exit packages amount to £125k (£820k in 2013/14). The exit packages can be further split into compensation for loss of employment £125k (£645k in 2013/14) and enhanced pension benefits £0k (£175k in 2013/14). 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 2014/15 and those agreed for individuals in 2014/15 but paid in 2015/16 for which an [accrual](#) was made in the 2014/15 accounts.

A further amount of £555k (£45k in 2013/14) has been 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 can be made of amount of the probable obligation. This amount is netted down by costs charged against the provision in respect of 2013/14 decisions provided for at the year-end where the payment was actually made in 2014/15 of £5k (£194k in 2013/14), providing a net movement on the provision of £550k (-£149k in 2013/14).

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 2014/15 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 55-61.

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).
- 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

Insurance Claims

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

Redundancy Costs

In response to future reductions in government funding it will be necessary to further reduce the number of police staff. It is anticipated that the reduction will be primarily achieved through a combination of voluntary and compulsory redundancies. Redundancy costs arising from decisions made up to 31 March 2015 have

been recognised in the 2014/15 Comprehensive Income and Expenditure Statement, however a number of reviews are currently ongoing which could give rise to further redundancy costs, although no firm decisions have been made as yet. It is anticipated that future redundancy costs will be met from the [earmarked reserve](#) set up for management of change costs in [the Commissioner's](#) accounts, the balance of which stood at £1,683k at 31 March 2015 (£1,677k at 31 March 2014).

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 case is that police injury benefits should no longer be reduced by entitlement to social security benefits (employment support allowance). At this stage it is unclear if the decision will have a retrospective impact on police organisations or if the change will be implemented on a future claims basis only. In the absence of further guidance from the Home Office and Department for Work and Pensions, this matter has been treated as a contingent liability in the 2014/14 statement of accounts.

Employment Appeal Tribunal

There has been a recent Employment Appeal Tribunal case (*Bear Scotland v Fulton and others* UAEATS/0047/13), regarding the recognition of regular voluntary overtime and allowances as a part of police officer holiday pay. This could have a financial effect as overtime is a significant element of police budgets and is currently not incorporated into paid holiday in the way indicated by the outcome of the case. At this stage the impact of the decision on police organisations is unclear and police forces will be working together, through the CIPD network, to ensure that any approach which might be taken is consistent. Further guidance from the Home Office is awaited and at the date of preparation of the accounts it is not possible to accurately quantify any potential liability, consequently this matter has been treated as a contingent liability in the 2014/15 statement of accounts.

20 Accounting Standards that have been issued but have not yet been Adopted

For 2014/15 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011) (implementation has been deferred until 2015/16);
- Annual Improvements to IFRSs (2011-2013 cycle):
 - IFRS 1 Meaning of effective IFRSs;
 - IFRS 3 Scope exceptions for joint ventures;
 - IFRS 13 Scope of paragraph 52 (portfolio exception);
 - IAS40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment property when classifying property as investment property or owner/occupied property;

In the Financial Statements for 2015/16, 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 2014/15 financial year together with comparative information for 2013/14.

Police Officer Pension Fund Account	Group 2013/14 £000s	Group 2014/15 £000s
Contributions Receivable		
Employer		
- Contributions at 24.2% of Pensionable Pay	(9,772)	(9,794)
Officers' Contributions		
- 1987 Scheme Member Contributions (see narrative for rates)	(4,467)	(4,447)
- 2006 Scheme Member Contributions (see narrative for rates)	(810)	(1,068)
	(15,049)	(15,309)
Transferees in from Other Schemes	(298)	(80)
Capital Equivalent charge for ill-health schemes	(469)	(364)
	(767)	(444)
Benefits Payable		
Recurrent Pensions	22,791	24,015
Commutations and Lump Sums	7,601	6,477
Other (Scheme Pays)	0	11
	30,392	30,503
Payments to and on Account of Leavers		
Refund of Contributions	9	3
Transfer out to other schemes	173	416
	182	419
Net Amount Payable for the Year	14,758	15,169
Additional Contribution from the Police & Crime Commissioner	(14,758)	(15,169)
Net Amount Payable (Receivable) for the Year	0	0

Net Assets Statement

This statement shows the net assets and liabilities of the scheme as at 31 March 2015.

Pension Fund Net Assets & liabilities	Group 2013/14 £000s	Group 2014/15 £000s
Current Assets		
Pensions Benefits paid in advance	2,018	2,104
Current Liabilities		
Amount due to the Police & Crime Commissioner	(2,018)	(2,104)
	0	0

Accounting Policies

The Police Pension Fund Accounts have been prepared in accordance with the requirements of the Police Pension Fund Regulations 2007 (SI 2007 No 1932). The Pensions Fund Accounts are administered by the Chief Constable and have been prepared on an accruals basis.

Operation of Police Pensions Schemes

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 new scheme and the previous scheme has been closed to new members. Officers who are members of the old scheme are allowed by regulation to become members of the new (2006) scheme if they so wish. Members' contribution rates for 2014/15 were between 11% and 12.75% (10.7%-12% in 2013/14) for the 2006 scheme and between 14.25% and 15.05% (13.5%-14% in 2013/14) for the old scheme. The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 19). Detailed disclosure notes regarding the Police Pension schemes can be found in the technical Annex to the statement of accounts (Annex B) section B (pages 55-61).

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 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 will range 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 24.2% of pensionable pay, which, along with the employee contributions and any transfer values, is paid into the pensions account. The employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to periodic revaluation by the Government Actuary's Department. Pensions are then paid from this account. The pensions account is balanced to nil annually, with any shortfall met by a top up from the Commissioner, or vice versa. However, the Home Office indemnify the Commissioner against any financial liability arising from a deficit on the Pension Account by providing a grant to the Commissioner equal to the Commissioner's top up. Similarly, any surplus on the Pension Account is ultimately repayable to the Home Office.

Glossary of Terms

Accruals

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

ACPO

The Association of Chief Police Officers.

Actuarial Valuation

A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, 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

DCLG

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

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.

Glossary of Terms

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 2014/15 financial year and the financial position at the 31 March 2015. The Police and Crime Commissioner and [Chief Constable](#) are each required to prepare an annual Statement of Accounts (single entity) in accordance with the Accounts and Audit Regulations 2011 which stipulate that the statements be prepared in accordance with proper accounting practices. Those practices primarily comprise the [CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15](#) (the Code) and the Service Reporting Code of Practice 2014/15 ([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).

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

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.

Appendix A - Statement of Accounting Policies

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

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

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.

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.

Appendix A - Statement of Accounting Policies

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

8 Post-Employment Benefits

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

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 earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their [fair value](#) at current prices using a discount rate (see assumptions set out in Annex B, page 60).

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

Appendix A - Statement of Accounting Policies

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 55-61).

8.2 Police Officers

The original Police Pension Scheme (PPS) is governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The new Police Pensions Scheme (NPPS) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006).

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

The funding arrangements for police officers’ pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a ‘pay as you go’ basis with the cost charged to the revenue account. From April 2006 onwards there is an employer’s contribution rate set by the Home Office (currently 24.2% of pensionable salary), which is charged to the Comprehensive Income and Expenditure Statement. Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 39-40). 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.

Appendix A - Statement of Accounting Policies

8.3 Police Staff

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

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

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

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

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

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

9 Events after the Balance Sheet Date

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

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

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.

Appendix A - Statement of Accounting Policies

11 Financial Instruments - Financial Assets

Financial assets are initially measured at [fair value](#) and carried at their amortised cost. Where a receivable (i.e. a debtor) has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed / invoiced amount.

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

12 Government Grants and Contributions

In accordance with the statutory responsibility of the [Commissioner](#) to maintain the Police Fund outlined in the Police and Social Responsibility Act 2011, all grants and contributions are attributable to the Commissioner and recorded in his accounts.

13 Intangible Assets

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

14 Inventories

Inventories (stocks) are included in the balance sheet at historic cost. This is a departure from IAS2 which requires inventories to be valued at the lower of cost or net realisable value. However, for many stock items, particularly uniforms, net realisable value would be minimal and would not accurately reflect the value of holding these assets.

15 Leases

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

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Agreements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfillment of the arrangement is dependent on the use of specific assets.

The [Chief Constable](#) does not hold any finance leases (either as lessee or lessor) or operating leases (as lessor or lessee).

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 2014/15 ([SERCOP](#)). The total absorption costing principle is used – the full cost of overheads and support services are shared between

Appendix A - Statement of Accounting Policies

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.

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.

Appendix A - Statement of Accounting Policies

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 27).

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

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

20.2 Contingent Liabilities

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

20.3 Contingent Assets

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

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

21 Reserves

Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all usable reserves i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner. However, the Chief Constable does hold certain unusable reserves in relation to pensions and accumulated employee absences, which arise from Constabulary activities and are not covered by the funding arrangement and are shown on the Chief Constable's balance sheet.

Appendix A - Statement of Accounting Policies

22 Material Estimation Techniques

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

22.1 Pension Disclosure Note:

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

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

For 2014/15 a discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuaries for the Police and LGPS pension funds have advised that a rate of between 3.3% and 3.4% 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 2014	31 March 2015
	£000s	£000s
Financial Assets		
Debtors		
Financial assets carried at contract amounts	108	215
Total Financial Assets	108	215
Financial Liabilities		
Creditors		
Financial liabilities carried at contract amounts	(7,299)	(7,542)
Total Financial Liabilities	(7,299)	(7,542)

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 2014), also imposes a maximum sum to be invested with a financial institution located within each category.

Liquidity Risk

Liquidity Risk is the possibility that the Chief Constable might not have funds available to meet his commitments to make payments.

Under the terms of the funding arrangement between the Commissioner and the Chief Constable the Commissioner provides funding to the Chief Constable on a cash basis. As the Commissioner has ready access to borrowings from the PWLB and had at 31 March 2015 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 2014/15 the Chief Constable made a contribution of 12.7% of pensionable pay supplemented by a contribution to past service costs of £2,328k. The past service contribution made in 2014/15 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. (2014/15 contribution rates for employers were 24.2% of pensionable pay and was last reviewed in March 2007).

The cost of retirement benefits is recognised in the Cost of Services within the Comprehensive Income and Expenditure Statement when employees earn them, rather than when the benefits are eventually paid as pensions.

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 Old Scheme		CC Police Scheme 2006 Scheme		CC Total Pension Schemes	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement										
<i>Cost of Services</i>										
<i>Service cost comprising:</i>										
• Current service cost	3,683	3,216	0	0	18,840	15,890	3,660	4,180	26,183	23,286
• (Gain)/loss from settlements	88	47	0	0	0	0	0	0	88	47
<i>Financing and Investment Income and Expenditure</i>										
• Net interest expense	1,161	567	45	49	42,330	42,610	1,060	1,230	44,596	44,456
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	4,932	3,830	45	49	61,170	58,500	4,720	5,410	70,867	67,789
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement										
<i>Remeasurement of the net defined benefit liability comprising:</i>										
• Return on plan assets (excluding the amount included in the net interest expense)	(2,688)	(9,413)	0	0	0	0	0	0	(2,688)	(9,413)
• Actuarial (gains) and losses arising on changes in demographic assumptions	2,375	0	8	0	(140)	(41,730)	(10)	(2,480)	2,233	(44,210)
• Actuarial (gains) and losses arising on changes in financial assumptions	(10,399)	24,502	(23)	113	(28,650)	167,480	(2,050)	6,940	(41,122)	199,035
• Experience (gains) and losses on liabilities	(3,545)	0	39	0	(19,830)	(20,640)	(670)	(4,320)	(24,006)	(24,960)
• Administration expenses	85	87	0	0	0	0	0	0	85	87
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(14,172)	15,176	24	113	(48,620)	105,110	(2,730)	140	(65,498)	120,539
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(9,240)	19,006	69	162	12,550	163,610	1,990	5,550	5,369	188,328
<i>Movement in Reserves Statement</i>										
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(4,932)	(3,830)	(45)	(49)	(61,170)	(58,500)	(4,720)	(5,410)	(70,867)	(67,895)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>										
• Employers' contributions payable to the scheme	2,794	4,559	63	65	0	0	0	0	2,857	4,762
• Retirements benefits payable to pensioners	0	0	0	0	26,600	27,070	(970)	(1,080)	25,630	25,990
Total amount charged against the Police Fund Balance for pensions in the year	2,794	4,559	63	65	26,600	27,070	(970)	(1,080)	28,487	30,752

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 2015 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 Old Scheme		CC Police Scheme 2006 Scheme	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(100,858)	(133,274)	(1,067)	(1,168)	(974,080)	(1,110,620)	(25,320)	(31,950)
Fair value of plan assets	85,149	103,061	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(15,709)	(30,213)	(1,067)	(1,168)	(974,080)	(1,110,620)	(25,320)	(31,950)

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 £1.174b (£1.016b in 2013/14) 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 £1.177b (£1.020b in 2013/14).

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		CC LGPS		CC Police Scheme Old Scheme		CC Police Scheme 2006 Scheme	
	Funded Benefits		Unfunded Benefits		Old Scheme		2006 Scheme	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(104,764)	(100,858)	(1,061)	(1,067)	(988,130)	(974,080)	(22,360)	(25,320)
Adjustment to Opening Balance	0	(882)	0	(4)				
Adjusted Balance at Start of Year	(104,764)	(101,740)	(1,061)	(1,071)	(988,130)	(974,080)	(22,360)	(25,320)
Current service cost	(3,683)	(3,216)	0	0	(18,840)	(15,890)	(3,660)	(4,180)
Interest cost	(4,596)	(4,660)	(45)	(49)	(42,330)	(42,610)	(1,060)	(1,230)
Contributions by Scheme Participants	(1,088)	(1,117)	0		(4,470)	(4,450)	(810)	(1,070)
Remeasurement gains and (losses):								
- Arising from changes in demographic assumptions	(2,375)	0	(8)	0	140	41,730	10	2,480
- Arising from changes in financial assumptions	10,399	(24,502)	23	(113)	28,650	(167,480)	2,050	(6,940)
- Experience gains/(losses)	3,545	0	(39)	0	19,830	20,640	670	4,320
Gains/(losses) on curtailment	(88)	(47)	0	0	0	0	0	0
Benefits Paid/Transfers	1,792	2,008	63	65	31,070	31,520	(160)	(10)
Balance at End of Year	(100,858)	(133,274)	(1,067)	(1,168)	(974,080)	(1,110,620)	(25,320)	(31,950)

The liabilities under both the LGPS and Police Pension Schemes have increased during 2014/15. The Principal reason for this increase is in relation to a change in financial assumptions

Reconciliation of [fair value](#) of the scheme assets:

Reconciliation of Scheme Assets	CC LGPS		CC LGPS	
	Funded Benefits		Unfunded Benefits	
	2013/14	2014/15	2013/14	2014/15
	£000s	£000s	£000s	£000s
Balance at Start of Year	77,021	85,149	0	0
Adjustment to Opening Balance	0	825	0	0
Adjusted Balance at Start of Year	77,021	85,974	0	0
Interest Income	3,435	4,093	0	0
Remeasurements - Gains and (Losses)	2,688	9,413	0	0
Administration Expenses	(85)	(87)	0	0
Employer Contributions	2,794	4,559	63	65
Contributions by Scheme Participants	1,088	1,117	0	0
Benefits Paid	(1,792)	(2,008)	(63)	(65)
Balance at End of Year	85,149	103,061	0	0

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 2013/14		CC 2014/15	
		£000s	%	£000s	%
Equities					
UK Quoted	Y	11,923	14.00%	14,119	13.70%
UK Unquoted	N	85	0.10%	0	0.00%
Global Quoted	Y	13,793	16.20%	18,758	18.20%
UK Equity Pooled	N	10,303	12.10%	5,153	5.00%
Overseas Equity Pooled	N	13,113	15.40%	16,387	15.90%
Bonds					
UK Corporate Bonds	Y	5,876	6.90%	7,214	7.00%
Overseas Corporate Bonds	Y	341	0.40%	412	0.40%
UK Corporate Bonds Pooled	N	3,320	3.90%	0	0.00%
UK Government Indexed Pooled	N	13,282	15.60%	18,964	18.40%
Property					
UK	Y	5,876	6.90%	7,420	7.20%
Property Funds	N	170	0.20%	3,504	3.40%
Alternatives					
Hedge Funds	N	170	0.20%	103	0.10%
Private Equity Funds	N	1,362	1.60%	1,752	1.70%
Infrastructure Funds	N	511	0.60%	5,256	5.10%
Real Estate Debt Funds	N	0	0.00%	412	0.40%
Cash					
Cash Instruments	Y	85	0.10%	0	0.00%
Cash Accounts	Y	4,598	5.40%	3,401	3.30%
Net Current Assets	N	341	0.40%	206	0.20%
		85,149	100.00%	103,061	100.00%

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	
	2013/14	2014/15	2013/14	2014/15
Long-term Expected Rate of Return on Assets in the Scheme:				
- Equity Investments	7.00%	6.50%	N/A	N/A
- Government Bonds	3.40%	2.20%	N/A	N/A
- Other Bonds	4.30%	2.90%	N/A	N/A
- Property	6.20%	5.90%	N/A	N/A
- Cash / Liquidity	0.50%	0.50%	N/A	N/A
- Other	7.00%	6.50%	N/A	N/A
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	23.0	23.0	23.4	23.3
- Women	25.5	25.6	25.9	25.7
Longevity at 65 for future pensioners:				
- Men	25.7	25.8	25.6	25.4
- Women	28.7	28.8	28.0	27.9
Rate of Inflation (CPI)	2.40%	2.10%	2.50%	2.20%
Rate of increase in salaries	3.90%	3.60%	4.50%	4.20%
Rate of increase in pensions	2.40%	2.10%	2.50%	2.20%
Rate for discounting scheme liabilities	4.60%	3.40%	4.40%	3.30%

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
Local Government Pension Scheme			
Longevity (1 Year increase in life expectancy)	2,453	93	85
Rate of Inflation (increase by 0.1%)	3,032	142	104
Rate of Increase in Salaries (increase by 0.1%)	925	0	33
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(2,966)	(137)	(73)

Annex B – Technical Annex

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	CC	
	Police Pensions Old Scheme £000s	Police Pensions 2006 Scheme £000s
Assumption Sensitivity		
Longevity (1 Year increase in life expectancy)	27,000	600
Rate of Increase in Pensions (increase by 0.5%)	102,000	2,700
Rate of Increase in Salaries (increase by 0.5%)	16,000	2,400
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(124,000)	(5,600)
Early retirement (each member retiring 1 year earlier than expected)	(5,000)	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 is due to be completed on 31 March 2016.

The pension schemes will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS and the other main existing public service schemes in England and Wales (which includes the Police Pension schemes) may not provide benefits in relation to service after 31 March 2014 (after 31 March 2015 for other main public service schemes e.g. Police Pension Schemes). This means that the LGPS 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 2016 are £2,385k. Expected contributions for the Police Pension Scheme in the year to 31 March 2016 are £10,107k.

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	2013/14 Years	2014/15 Years
Pensions Scheme		
Local Government Pension Scheme	23	22
Police Pension -Old Scheme	21	22
Police Pension -2006 Scheme	37	33

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
		2013/14	2013/14	2013/14	2014/15	2014/15	2014/15
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000s	£000s	£000s	£000s	£000s	£000s	
Police Pay & Allowances		31,780	0	31,780	32,105	0	32,105
PCSO Pay & Allowances		2,570	0	2,570	2,468	0	2,468
Police Staff Pay & Allowances		20,428	0	20,428	20,217	(140)	20,077
Other Employee Costs		2,377	0	2,377	2,937	(30)	2,907
Police Pensions - IAS19 Current Service Costs		22,500	0	22,500	20,070	0	20,070
Total Employee Costs		79,655	0	79,655	77,797	(170)	77,627
Premises		5,212	0	5,212	5,238	0	5,238
Transport		3,518	(48)	3,470	3,466	(43)	3,423
Supplies & services		11,548	(92)	11,456	11,804	(94)	11,710
Agency & Contract Services		1,047	0	1,047	848	0	848
Support Services		160	0	160	86	0	86
Pension Interest Costs	Annex B	48,032	(3,435)	44,597	48,549	(4,093)	44,456
Gross Operating Expenditure		149,172	(3,575)	145,597	147,788	(4,400)	143,388
Non Distributed Costs		88	0	88	47	0	47
Funding from PCC to reimburse expenditure by CC		0	(103,613)	(103,613)	0	(106,912)	(106,912)
Net Operating Expenditure		149,260	(107,188)	42,072	147,835	(111,312)	36,523
Pensions Adjustment	Annex B	(42,381)	0	(42,381)	(37,175)	0	(37,175)
Transfers to/(from) Accumulated Absences A/c	11b	309	0	309	652	0	652
Total		107,188	(107,188)	0	111,312	(111,312)	0

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	Employee Expenses	Expenditure Other Operating Expenses	Total	Income Funding provided by PCC to CC	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s
	Cumbria Constabulary					
- Territorial Policing Command	52,566	8,566	61,132	0	0	61,132
- Crime Command	16,555	2,058	18,613	0	0	18,613
- Corporate Support	7,499	9,739	17,238	(106,912)	(106,912)	(89,674)
- Corporate Improvement	612	135	747	0	0	747
- Professional Standards	983	38	1,021	0	0	1,021
- Legal Services	320	69	389	0	0	389
Total	78,535	20,605	99,140	(106,912)	(106,912)	(7,772)

The comparative information for 2013/14 is as follows:

Income & Expenditure by Reporting Segments	Employee Expenses	Expenditure Other Operating Expenses	Total	Income Funding provided by PCC to CC	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s
	Cumbria Constabulary					
- Territorial Policing Command	51,109	7,433	58,542	0	0	58,542
- Crime Command	16,554	2,936	19,490	0	0	19,490
- Corporate Support	6,575	9,597	16,172	(103,613)	(103,613)	(87,441)
- Corporate Improvement	607	114	721	0	0	721
- Professional Standards	1,016	40	1,056	0	0	1,056
- Legal Services	316	391	707	0	0	707
Total	76,177	20,511	96,688	(103,613)	(103,613)	(6,925)

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
	2013/14 £000s	2014/15 £000s
Net Expenditure in Service Analysis (above)	(6,925)	(7,772)
Add services not included in main analysis	6,925	7,788
Add technical accounting adjustments (not reported in management accounts)	39,547	(36,507)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(42,072)	28,558
Net Cost of Services in Comprehensive Income and Expenditure Statement	(2,525)	(7,933)

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 2014/15 are as follows:

Reconciliation to Subjective Analysis	CC	CC	CC	CC	CC	CC	CC
	Service Analysis	Services not in Analysis	Technical Adjustments	Not included in CI&ES	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding Provided by PCC to CC	(106,912)	0	0	0	(106,912)	0	(106,912)
Total Income	(106,912)	0	0	0	(106,912)	0	(106,912)
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
Total operating expenses	99,140	7,788	(36,507)	28,558	98,979	44,456	143,435
(Surplus) or deficit on the provision of services	(7,772)	7,788	(36,507)	28,558	(7,933)	44,456	36,523

The comparative information for 2013/14 is as follows:

Reconciliation to Subjective Analysis	CC	CC	CC	CC	CC	CC	CC
	Service Analysis	Services not in Analysis	Technical Adjustments	Not included in CI&ES	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding Provided by PCC to CC	(103,613)	0	0	0	(103,613)	0	(103,613)
Total Income	(103,613)	0	0	0	(103,613)	0	(103,613)
Employee expenses	76,177	6,091	39,547	(42,072)	79,743	44,596	124,339
Other service expenses	20,511	834	0	0	21,345	0	21,345
Total operating expenses	96,688	6,925	39,547	(42,072)	101,088	44,596	145,684
(Surplus) or deficit on the provision of services	(6,925)	6,925	39,547	(42,072)	(2,525)	44,596	42,071

Subject to Audit



The Chief Constable for Cumbria Constabulary

Annual Governance Statement 2014/15

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

The Chief Constable for Cumbria Constabulary (the Chief Constable) is responsible for ensuring business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for the governance of affairs and facilitating the exercise of functions, which includes arrangements for the management of risk.

The Chief Constable has approved and adopted a Code of Corporate Governance 'The Code'. The Code gives clarity to the way the Chief Constable governs and sets out the frameworks that are in place to support the overall arrangements that are in place for fulfilling the Chief Constable's functions. This statement explains how the Chief Constable has complied with The Code. It also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement, which must accompany the 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 eg 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 the implementation of the prior year's AGS development plan.

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*

- 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 arrangements meet the good practice guidance within the guidance.

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- 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 Constable's 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 2013-14 and how they were addressed in 2014-15.

Jeremy Graham

Chief Constable

Signatures have been removed for the purposes of publication on the website.

Roger Marshall

Chief Finance Officer

Subject to Audit

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, specifically:
 - Dealing with the issues related to vulnerable children - child abuse and child sexual exploitation
 - Responding to vulnerable adults and children who go missing from home
 - Reducing the harm caused by domestic abuse, violent and sexual offenders, encouraging people to report to the police
- Preventing and detecting violence against the person offences, sexual offences and acquisitive crime
- Preventing and dealing with antisocial behaviour
- Tackling alcohol and drug related crime and disorder

The Commissioner approved these key objectives and incorporated them into his Police & Crime Plan to complement his aims.

The Constabulary worked with the OPCC to develop the performance framework. This set of measures and targets supports delivery of the 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.

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 during 2014/15 was the significant increase in violent crime during 2014/15. 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 and,
- Improvements to the processes relating to dealing with harassment to support victims. This meant that notices to deter further

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harassment were issued at the first instance of harassment only and any subsequent further harassment behaviour was recorded and managed as a crime.

During 2014 - 15, performance management arrangements have been reviewed and improved. The resulting 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 the ACC and DCC and to Operations Board; these included detailed root cause analysis and recommended actions to take
- Performance discussions at all operational Senior Management Team meetings as a standard agenda item
- Holding 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 which can be accessed by everyone

- Publication of daily performance figures for all officers and staff to use to monitor and manage delivery of operational activity
- Development and implementation of an individual Officer Performance Dashboard. This enables sergeants to quickly view their officers' workload and forms the basis of regular one to one performance meetings, improving supervision and productivity
- Individual performance meetings 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), training, development, welfare and attendance.

The Constabulary performs well and has achieved a significant reduction in both crime and anti-social behaviour since 2009/2010 (falling by 10.8% and 45.6% respectively) and user satisfaction levels are consistently high. Although levels of recorded crime rose by 3.8% in 2014/15, this represents an increase of only 2.5 crimes per day as Cumbria has the 2nd lowest crime rate of all forces in England & Wales. The increase in crime in 2014/15 is partly attributed to better reporting of domestic violence and sexual offences and improved compliance with national standards.

Thematic reports for specific areas have also been published and discussed at the public Executive Board. Examples include: rural crime, 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.

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During 2014/15 the Constabulary submitted a formal budget proposal for 2015-16 to the Commissioner as part of a medium term financial forecast (MTFF) covering the four year period to 2018-19. 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 2015-16 and forecasts of funding for subsequent years. Governance arrangements in relation to the budget setting process were enhanced for 2015-16 to incorporate an additional layer of scrutiny through a series of 'Star Chambers' in which budget holders were subject to robust challenge by Chief Officers and senior finance staff in relation to their future budget requirements. As a result of the 'Star Chambers' £1m was removed from the budget for 2015-16.

The MTFF assumes that that levels of grant funding will continue to reduce for the duration of the forecast as the Government seeks to address the national budget deficit. Although the Constabulary has already delivered savings of £16m up to and including 2014-15, the MTFF indicates that further savings of £10.8m will be necessary by 2018-19. Future business planning has also recognised that there are risks associated with a review of the police funding formula, removal of damping protection and a further continuation of austerity which may further increase the Constabulary's savings requirement.

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 of the Demand Reduction Plan
- 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 2015-16. 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 2014 -15 the Change Programme:-

- Delivered a saving of £1.3 million from the revenue budget that was planned for 2014 – 15
- Developed proposals to change 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, reviewing shift patterns to make sure that they match the demands on the service. These changes will be implemented in 2016.
- Developed proposals for changing 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

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threat, risk and harm and using frontline police officers to achieve this.

- Developed proposals to how resources are managed strategically and tasked daily to maximise productivity. These are being implemented during 2015 – 2016
- Developed proposals for a smaller strategic Community Safety function and embedding its activities within the neighbourhood policing teams to improve productivity and prioritisation of activity. These proposals are currently subject to statutory formal consultation and may change.
- 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.
- Implemented changes to the Occupational Health function to improve resilience within the function so that it can support the Constabulary in improving productivity
- Developed its plans for the next four year period to 2020 to achieve the government savings required.

In overall terms the scope and size of the Change Programme has been significantly enhanced in 2014-15 in response to the increased financial challenge. It is now anticipated that the Change Programme will deliver savings of £10m by 2018-19, (£5.4m of additional savings identified in comparison with the same period last year). Successful delivery of the programme will allow the Constabulary's budget to be substantially balanced for the period of the MTF based on current financial assumptions.

The Demand Reduction Plan includes an action to develop an annual process to evaluate resource allocation to ensure that resources are aligned to demand, threat, risk and harm.

Closely aligned to the Change Programme are the proposals contained in the Constabulary business plan which were developed in 2013-14 to invest in technology and training with the aim of increasing the productivity of officers and staff, which will make the organisation sustainable with a smaller workforce. During 2014-15 detailed business cases to support key elements of the business plan in relation to mobile and digital working and the replacement of core IT systems supporting operational policing were developed. Particular focus within the business cases has been placed on the delivery and measurement of anticipated benefits. Following scrutiny by the OPCC the Commissioner has approved the business cases which have been incorporated into the budget and capital programme.

The business plan proposals have also been used as the foundation for revised Estates and ICT Strategies which were agreed by the Chief Officer Group and Commissioner's Executive Board in February 2014.

Substantial work has continued on Workforce Planning and Establishment Control, involving close collaboration between the HR, finance and other stakeholders to embed better controls and predictions about future staffing requirements. The workforce plan is considered by regular strategic and tactical level groups within the Constabulary with the aim of ensuring that

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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 which involved identifying the key actions required to improve people's experience of using police services. Recommendations were approved by senior operational staff and have led to the further development of the Quality of Service Action Plan and the Antisocial Behaviour Steering Group Action Plan to improve services for all users, including diverse groups. Both action plans co-ordinate all related actions from internal and external reviews.

During 2014-15 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:

- Delivering savings and providing value for money
- Preventing offending and reducing crime
- Investigating crime
- Tackling antisocial behaviour

HMIC has also inspected crime recording practices, data quality and integrity. A small number of areas for improvement have been identified from the other inspections and action plans have been developed.

Significant progress has also been made on the Constabulary's Continuous Improvement,

Efficiency and Value for Money Strategy. The Constabulary has used HMIC Value for Money profiles and Police Objective Analysis to inform its Change Programme and applied zero based budgeting, 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 be high performing, although 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.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

During 2015 -16 the Constabulary will:-

Complete its evaluation of the effectiveness of its revised governance arrangements including the board structure, making recommendations for improvement where appropriate.

Evaluate the revised performance management arrangements, making recommendations for improvement where appropriate.

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.

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Write an Annual Report to support the Commissioner's 2016 -17 budget submission to the Police and Crime Panel.

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.

Subject to Audit

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 PRSA and the PPO also set out the function and roles of statutory officers, namely the Chief Constable's Chief Financial Officer.

During 2014 – 15, the changes to the Constabulary's strategic governance framework and board structure introduced in 2013-14 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
- Clarity about what decisions are made by each governance board, and what needs to be escalated or devolved
- Clarity about what decisions are made by each level of senior management
- That the schedule of meetings supports the governance framework and are compatible with OPCC and PCP meeting schedules.

were embedded and where appropriate were subject to further refinement.

In recognition of the scale of change currently being undertaken within the Constabulary to

deliver savings and improve productivity, the Force Strategic Delivery Board was established at the start of 2014-15. This board expanded the terms of reference and membership (including a representative from the OPCC) of the previous Change Programme Reference Group to encompass the management of all change within the organisation, irrespective of whether it was managed through the Change Programme or other areas of the business. The objective of the new board is to ensure that there is a holistic approach to change which takes full account of interdependencies between all change work-streams.

Task and Finish Groups have been set up when required to ensure that the Constabulary has the capacity to deliver specific major pieces of work. For example, in response to the fundamental changes to core policing activities which are due to be implemented in 2015-16, both strategic and tactical implementation groups have been set up to ensure that the planned changes are managed on an agile and co-ordinated basis.

Planned work to evaluate the effectiveness of the governance structure has been started and is scheduled to be completed in early 2015-16.

During 2014-15 the Commissioner's Financial Regulations, which have been adopted by the Constabulary, have been reviewed as part of a cyclical review of key governance documents.

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Changes have been made to take into account legislative and regulatory changes including new responsibilities for the Chief Constable to establish a Pensions Board as a result of the Public Services Pensions Act 2013. Changes to clarify roles and responsibilities in relation to approving the capital programme and the terms of reference of the Joint Audit and Standards Committee have also been made.

The Constabulary's budget protocols, which set out the respective responsibilities of functional managers and all officers and staff in relation to the management of a range of assets including the establishment have been updated and incorporated into a single streamlined document, which has been promoted and made more accessible through the force intranet.

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.

Following the Stage 2 transfer of staff to the Chief Constable a draft Scheme of Delegation setting out the responsibilities and decision making authorities of officers and staff of the Constabulary acting on his behalf has been finalised and agreed by the Chief Officer Group.

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's to

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.

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- 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.

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.

Work has continued during 2014-15 to improve management information and reporting in relation to Human Resources in accordance with an agreed HR strategy and work plan. Developments in workforce planning have been central to this work, however, the Constabulary has also undertaken a major overhaul of HR Policies and Procedures during 2014-15 including change management; discipline; leave; attendance etc and these will be embedded in 2015-16

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 increased in the latter part of 2014/15 and work will continue into 2015/16 to reduce this to target levels through increased management development and coaching alongside better case management with HR support. The Occupational Health Unit has been successfully restructured and reorganised to function more efficiently to support the well-being of officers and staff through controlling demand and focussing on more effective case handling.

Regular reports on workforce planning, attendance and police staff discipline and grievances are provided to the Chief Officer Group and PCC.

The Constabulary has continued the process of introducing the reforms to police officer terms and conditions of employment in accordance with the Winsor Report. Particular emphasis in 2014-15 has been focussed on the introduction of a scheme of fitness testing for officers in accordance with national guidelines.

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 and both the Police Federation and UNISON are represented on all decision making bodies and working groups. Consultation takes place on all proposed changes. The Constabulary has devised a Facilities Agreement with UNISON

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during 2014/15 and will continue to support the release of representatives to assist in the application of procedures in future years.

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 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.

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.

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 as soon as

national guidance has been provided. Police staff PDR will follow the development of police officer PDR.

The National Police Promotion Framework is being fundamentally overhauled on a national level and will be implemented at the Constabulary during 2015/16 when national guidance has been provided.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Constabulary takes a pro-active approach to strengthening its arrangements for ensuring the highest standards of integrity in all elements of its business. During 2013-14 the Constabulary developed a Corporate Values Statement, which was communicated to all officers and staff.

Building upon this foundation, during 2014-15 the Constabulary has implemented the College of Policing Code of Ethics for all officers and staff. This has included Chief Officer presentations being delivered across all areas of the force, specific classroom based training and inclusion of the code in individual officer performance reviews.

The adoption and implementation of the ACPO Integrity Action Plan, and Integrity Model, which arose from the HMIC 'Without Fear or Favour' inspections of all forces in 2011 and 2012, remains central to the Constabulary's actions to improve its integrity arrangements. The core themes of the action plan were the:-

- Handling of media relations and information.
- Providing greater guidance and clarity regarding the acceptance of gifts and hospitality, business conduct in relation to procurement and secondary business interests.
- The identification, monitoring and management of integrity issues.

The action plan was largely implemented in 2013-14 and during 2014-15 it has been incorporated into "business as usual" under the Professional Standards Department Control Strategy which is reviewed bi-annually and reported to the Deputy Chief Constable.

During 2014-15 the Constabulary's Anti-Fraud and Corruption Policy and Procedures have been the subject of a report by the Cumbria Shared Internal Audit Service. The audit report gave reasonable assurance regarding the Chief Constable's arrangements with six medium priority recommendations for development. The actions plans in response to these recommendations have either been fully implemented or plans are well advanced.

In addition, during 2014-15 Her Majesty's Inspectorate of Constabulary conducted an inspection of the Constabulary as part of the national Police Integrity and Corruption Inspection programme. This resulted in only two recommendations for Cumbria which related to selection processes for promotions or sensitive postings and also minimising risk of compromise into certain criminal investigations. Both recommendations have been implemented.

The role of the Constabulary's Professional Standards Department is central to the

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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 for developing a control strategy. The Strategic Assessment was refreshed in November 2014.

During 2014-15 the Professional Standards Department Anti-Corruption Unit have reported regularly to the Commissioner in relation to its work.

The Professional Standards Department have continued to issue PASS newsletters and corporate messages during the 2014-15 year to officers and staff in relation to issues of conduct and integrity. The newsletters have provided guidance on generic responsibilities such as

- appropriate use of force systems,
- use of the internet and e-mails
- advice regarding potential vulnerability to corruption linked to financial difficulties.
- guidance in relation to alcohol.
- procedures for seizure and retention of property.

Newsletters have also highlighted specific examples of misconduct which have led to disciplinary action. 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 2014-15 the number of complaint cases has been relatively stable compared to 2013-14 although due to a small number of cases containing multiple allegations the overall number of allegations has increased. When compared to other forces, both the level of complaints, expressed per officer and the percentage of those complaints upheld, remain well below the national average. Where trends in upheld complaints identify specific issues PASS newsletters are issued by Professional Standards providing additional guidance to officers and staff, for example guidance on procedures for handling property was issued during 2014-15.

During 2014-15 the Police and Crime Commissioner and Chief Constable have established an Independent Ethics and Integrity Panel. 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 Constable and Commissioner in monitoring and dealing with issues of ethics and integrity within their respective organisations. The terms of reference of the Panel include consideration of complaints from the public, the handling of integrity issues and grievances, which will be monitored through a range of agreed indicators and 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

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performance. The first meeting of the Committee

took place on the 13th March 2015.

AREAS FOR FURTHER DEVELOPMENT

During 2015-16 the Constabulary will continue to embed the National College of Policing Code of Ethics which has been implemented during 2014-15. The Code of Ethics will also continue to be incorporated into individual and organisational performance meetings and the policy development and review process.

The Constabulary will work with the Office of the Police and Crime Commissioner to continue to develop the recently established independent Ethics & Integrity Panel to strengthen its governance arrangements over the next year.

Subject to Audit

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Chief Officer Group have made a significant number of strategic decisions over the past 12 months across operational and business functions - ranging from approving significant changes to deliver savings, identifying the strategic IT systems to meet operational policing needs and approving the business plans 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 made. All professional expertise is represented at the governance boards. 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 2015-16. 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 Areas have held a Daily Management Meeting which identifies the crimes, incidents that have occurred over the previous 24 hours and any vulnerable or high profile incident (such as a vulnerable missing child or known domestic abuser). Senior officers have allocated their resources based on this evidence and effective management of threat harm and risk.

The Joint Audit and Standards Committee has conducted 5 public meetings during 2014-15. 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

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providing assurance in respect of the Financial 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 22nd September 2014 to receive the views of members prior to authorising the Statement of Accounts and 2013-14 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 2014 – 15, the Constabulary implemented all the recommendations arising from a review of the Constabulary's risk management arrangements undertaken by the organisation's insurance claims handlers (Gallagher Bassett). These included - determining the Constabulary's risk appetite, improved tracking risks and how risks are categorised. A further audit of risk management arrangements was carried out by the Constabulary's independent internal auditors from which there were no recommendations.

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 2014-15 was approved by the Chief Officer Group on the 4th March 2014 and subject to review by the Joint Audit and Standards Committee on the 31st March 2014. The plan substantially increased the number

of days of audit work from 143 to 180 as a consequence of widening the scope of audit work in accordance with public sector audit standards. All areas subject to audit, with the exception of Business Continuity, have received either reasonable or substantial assurance. The Constabulary's arrangements for Business Continuity were graded as providing partial assurance and as a result a robust action plan to address the weaknesses identified is being developed. 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 risk management arrangements will be reviewed to ensure that up to date practices and approaches are reflected in its risk management policy and procedures.

The Constabulary's internal website will continue to be developed in particular to improve the access and search capability which will make it easier for officers and staff to access the information they need.

Decisions of Constabulary boards will be published on the intranet to improve communication and understanding of officers and staff of the objectives we are trying to achieve.

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 2014-15 the Constabulary received guidance from the Association of Chief Police Officers, which provided information on best practice in relation to a wide range of operational policing areas.

The Constabulary's annual training plan was developed in early 2014-15 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 to accommodate the increased level of recruitment in 2014-15.
- 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 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.

In addition during 2014-15 the Constabulary has also focused on designing and delivering Code of Ethics training for all staff in support of the national Code of Ethics published by the College of Policing and delivery of Joint Emergency Services Interoperability Principles training (JESIP). JESIP is a national programme being delivered to all emergency services to improve interoperability.

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In relation to JESIP training has been jointly delivered with both the fire service and North West Ambulance Service. All operational staff have received a level of training appropriate to their role.

Job Related Fitness Testing (JRFT) has also been introduced in 2014-15 which affects all Police Officers, who are now required to undertake the JRFT prior to them receiving Personal Safety Training. JRFT is a national standard and aims to improve the fitness and effectiveness of officers.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. The overall conclusions from that review are that the Audit and Standards Committee is extremely effective in its operation. The review has demonstrated that within the areas of the CIPFA self-assessment the Committee can evidence substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as being evidence of effectiveness.

Against the self-assessment checklist the committee achieves a consistent grade of 4 or 5 (against a maximum of 5) across all areas. For

those functions not included within the checklist, incorporating the wider functions of the committee, there is evidence to demonstrate compliance with CIPFA guidance and elements constituting best practice. In areas where the Committee has not achieved a grade 5 there are plans to improve and develop the arrangements within the Committee's work programme. The full report of the Committee can be found on the Commissioner's website at <http://www.cumbria-pcc.gov.uk/governance-transparency/audit-committee.aspx>.

AREAS FOR FURTHER DEVELOPMENT

The core skills and leadership programme which forms part of the Constabulary's business plan will continue to be developed and implemented in 2015-16.

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 & Control, implementation of Mobile Working and the new Case & Custody system.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Constabulary has a Community Engagement and Involvement Strategy, which is reported via the Joint Operational Senior Management Meeting. This includes a consultation action plan, which co-ordinates all on-going consultation activities and is regularly reviewed and refreshed on an annual basis to continually improve consultation arrangements. .

In 2014-15 the Chief Constable and Commissioner have held a number of joint public meetings across Cumbria to listen to the views of local people.

During the year, the Constabulary consulted with the public to find out their priorities for where money could be saved, how confident they felt and how they would like to be engaged. These informed the development of the Constabulary's Change Programme and will support the current review of engagement.

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 45,000 followers. Online discussion forums have been introduced to supplement community meetings, surveys and other public engagements to identify priorities, concerns and areas for improvement. An example of this relates to specialist cybercrime advice to counter child exploitation.

The Strategic Independent Advisory Group has met regularly to discuss emerging issues of strategy and policy both nationally and locally. An annual report on Diversity and Equality setting out how objectives had been achieved was provide to the Commissioner and published on the website. Equality information is published every quarter on the Constabulary's website.

Throughout the year, Neighbourhood Policing Teams (NPTs) have engaged with the public through a variety of means which helps to reduce crime by encouraging respect for the law and fostering social responsibility and to determine local priorities.

The Constabulary has Community Engagement Plans written by each of the 10 NPTs. The plans detail how officers within the NPTs will engage with their community, and is specifically grouped around; Town and Parish Councils, local residents, businesses, schools and young people; and members of the community with Protected Characteristics (Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion and Belief and Sexual orientation).

Every month, local crime data has been published at community level on the Constabulary's website and via

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police.co.uk to increase the transparency of performance and crime data.

The Constabulary has responded to 939 freedom of Information requests in 2014 - 15.

The Chief Constable's audited accounts were signed on 22 September 2014 and published alongside the report of the independent auditors (Grant Thornton) on the financial statements. The auditors opinion was that the statements provided a true and fair view of the financial position of the commissioner as at 31 March 2014 and that they have been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting. The auditors further confirmed in their annual governance report on 22 September 2014 a positive conclusion with regards to securing value for money.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

The Constabulary will continue to develop its internet site to enhance accessibility and relevance to the public and media.

The Constabulary will 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.

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.

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.

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REPORT ON PROGRESS AGAINST THE DEVELOPMENT AND IMPROVEMENT PLAN FOR 2014 - 15

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 1: Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.	<p>The Constabulary will evaluate the effectiveness of the revised governance framework and board structure, making recommendations to improve where appropriate</p> <p>Following delays due to resourcing issues, this work started in 2015 and will be completed by end May.</p>	Director of Corporate Improvement	31 May 2015
	<p>The Constabulary will develop further its Quality of Service Strategy to support operational police service to improve delivery and user satisfaction. This will include an action plan to coordinate all related actions from internal and external reviews.</p> <p>This has been completed and is reported regularly to the Commissioner at the public Executive Board.</p>	Director of Corporate Improvement	Complete
	<p>Review the Constabulary's monthly performance management reports, improving the information provided to chief officers and senior managers so that it adds more value and better informs decision making.</p> <p>This has been completed</p>	Director of Corporate Improvement	Complete
	<p>Review the Constabulary's Performance Development Conferences to inform, explore and discuss root causes of performance issues (good and bad) and drive action to deliver improvements in services to the public.</p> <p>This has been completed</p>	Director of Corporate Improvement	Complete

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Area of Governance	Action	Lead Officer	Implementation by
<p>Core Principle 2:</p> <p>Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.</p>	<p>Winsor Review - The Constabulary is currently developing schemes to carry out fitness testing and to review the contribution of police officers on restricted duties to front line policing in line with Winsor recommendations. These are anticipated to be in place by September 2014.</p> <p>Fitness testing has been successfully introduced. National guidance on restricted officers has only just been received and will now be progressed in 2015-16.</p>	<p>Head of Human Resources</p>	<p>Partially complete further update 31 March 2016</p>
	<p>PDR – The current Scheme has been suspended for 2014/15 with a view to incorporating Winsor changes and streamlining the processes involved. A new Scheme is anticipated for use in 2015/16. The Constabulary is also developing a more streamlined assessment process for incremental progression for police officers linked to satisfactory performance within PDR.</p> <p>Work has been delayed awaiting national guidance.</p>	<p>Head of Human Resources</p>	<p>31 December 2015</p>
	<p>The Constabulary will update outstanding governance documents including the financial rules and the Chief Constable’s Scheme of Delegation.</p> <p>The Chief Constable’s Scheme of Delegation and Budget Protocols have been updated. Work on the update of the financial rules has commenced but has not been completed due to competing work priorities. It is aimed to complete work on the Financial Rules in the first half of 2015-16.</p>	<p>CFO & Director of Legal Services</p>	<p>30 September 2015</p>
	<p>Further development of business plans for non-operational functions to ensure activity is directed to supporting delivery of policing services</p> <p>Corporate Improvement Directorate developed and published its strategy for 2014 – 15 and beyond. Revised strategies for Estates and ICT have been produced.</p>	<p>All Directors and CFO</p>	<p>.</p>

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Area of Governance	Action	Lead Officer	Implementation by
	Significant development of the workforce plan has been undertaken. Work is outstanding in some areas for example Procurement Strategy due to other work priorities. Progress is regularly monitored via the performance development conferences		
Core Principle 3: Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	The Constabulary will communicate and embed the National College of Policing Code of Ethics and incorporate this in the performance monitoring process. The Code has been adopted and training provided to all officers and staff.	Chief Constable and Head of PSD	Complete
	The Constabulary will consider the benefits of establishing Ethics and Integrity Regulation and Management Committees. The Ethics and Integrity Panel has been established with its first meeting in March 2015.	PCC / Chief Constable	Complete
Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.	In the last quarter of 2013 – 14, the Constabulary's insurers were invited to review the Constabulary's risk management arrangements. The recommendations included improvements about categorisation and managing risk appetite and these will be implemented during 2014 – 15. This has been completed – the policy has been amended and communications to relevant officers and staff delivered.	Director of Corporate Improvement	Complete
	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 Although work has started, delays to the programme of work for the intranet have occurred due to delays to prerequisite projects in IT, followed by unexpected long term sickness of key individuals in both Corporate Improvement and Corporate Support.	Director of Corporate Improvement	31 March 2016

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Area of Governance	Action	Lead Officer	Implementation by
	<p>The decisions made by Constabulary boards will be available on the intranet to improve communication aid understanding for all officers and staff to support achievement of objectives.</p> <p>This is work in progress and will be completed in quarter one of 2015 – 16.</p>	Director of Corporate Improvement	30 June 2015
<p>Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.</p>	<p>The core skills and leadership programme which forms part of the Constabulary’s business plan will continue to be designed and implemented in 2015-16.</p> <p>The programme has largely been designed and implementation will commence in early 2015-16.</p>	Director of Corporate Support & Head of Learning & Development.	Partially completed on-going update 31 March 2016
<p>Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.</p>	<p>The Constabulary will develop its strategy to improve its internet site further, to enhance accessibility and relevance to the public and media.</p> <p>Work started in early 2015, which was later than planned due to unexpected long term sickness of key individuals in Corporate Improvement. The capital funding has been released by the Commissioner and the procurement process is underway.</p>	Director of Corporate Improvement	30 September 2016
	<p>The Constabulary will develop its Engagement Strategy to improve trust and confidence in policing services and to identify the policing priorities that need to be addressed in their local area. This will include provision of Police Desks across the county</p> <p>This work has started but is not now scheduled to be completed until end of 2015 - 16, following implementation of key change programmes and IT systems.</p>	Director of Corporate Improvement	31 March 2016

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DEVELOPMENT AND IMPROVEMENT PLAN FOR 2015 - 16

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 1: Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.	Complete its evaluation of the effectiveness of its revised governance arrangements including the board structure, making recommendations for improvement where appropriate.	Director of Corporate Improvement	31 May 2015
	Evaluate the revised performance management arrangements, making recommendations for improvement where appropriate.	Director of Corporate Improvement	31 March 2016
	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.	Director of Corporate Improvement	31 March 2016
	Write an Annual Report to support the Commissioner's 2016 -17 budget submission to the Police and Crime Panel.	Director of Corporate Improvement	31 December 2015

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Area of Governance	Action	Lead Officer	Implementation by
Core Principle 1: Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.	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.	Director of Corporate Improvement, CFO, Director of Corporate Support	31 March 2016
	Develop a Plan on a Page to help all officers and staff focus on the Constabulary's priorities and support internal communications.	Director of Corporate Improvement	30 th April 2015
	Develop internal and external communications strategy to support delivery of operational policing and its outcomes, including effective demand reduction activity.	Director of Corporate Improvement	30 th September 2015
	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.	Director of Corporate Improvement	30 th September 2015

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Area of Governance	Action	Lead Officer	Implementation by
Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.	The Constabulary will complete its update of the financial rules and ensure that these are promoted and training provided.	Chief Finance Officer	30 th September 2015
	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.	Director of Corporate Support & Functional Heads of Service.	31 December 2015
	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.	Head of HR	31 March 2016
	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	Head of HR	31 ST March 2016.

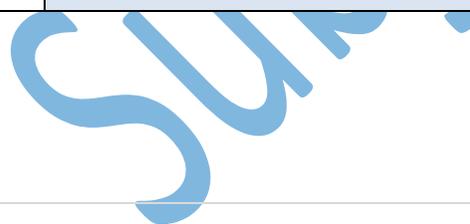
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Area of Governance	Action	Lead Officer	Implementation by
	PDR as soon as national guidance has been provided. Police staff PDR will follow the development of police officer PDR.		
	Update the National Police Promotion Framework in line with national guidance.	Head of HR	31 ST March 2016.
Core Principle 3: Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	The Constabulary will continue to embed the National College of Policing Code of Ethics.	Chief Constable, Deputy Chief Constable and Head of PSD	31 March 2016
	The Constabulary will embed its Ethics and Integrity Panel and seek to promote good practice as a result of its recommendations.	Chief Constable, Deputy Chief Constable and Head of PSD	31 March 2016
Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.	The Constabulary's risk management arrangements will be reviewed to ensure that up to date practices and approaches are reflected in its risk management policy and procedures.	Director of Corporate Improvement	31 March 2016
	As part of the improvement to the Constabulary's internal website, the access and search capability of the policy library on the intranet will be modernised and updated to ensure that it is easier for officers and staff to access the right information	Director of Corporate Improvement	31 March 2016

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Area of Governance	Action	Lead Officer	Implementation by
Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.	Design and Implement a Core Skills and Leadership Programme. The design stage of the Core Skills and Leadership Programme is well advanced, implementation will begin in early 2015-16.	Director of Corporate Support & Head of Learning & Development.	On-going Update 31 March 2016
	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 & Control, implementation of Mobile Working and the new Case & Custody system.	Director of Corporate Support & Head of Learning & Development.	31 March 2016
Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.	The Constabulary will continue to develop its internet site to enhance accessibility and relevance to the public and media.	Director of Corporate Improvement	30 September 2016
	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.	Director of Corporate Improvement	31 March 2016



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Area of Governance	Action	Lead Officer	Implementation by
Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.	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.	Director of Corporate Improvement	31 March 2016
	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.	Director of Corporate Improvement	31 March 2016

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Summary of Accounts 2014/15

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2014/15 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 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 2011.

The statement provides a breakdown of net spending during the year and shows the overall financial position of the Chief Constable as at 31 March 2015. The reporting format is specifically designed to meet the requirements of the Code of Practice on Local Authority Accounting. A series of notes are provided to assist readers in their understanding of the statement, whilst the presentational format is designed to make for easier reading by those who access the document through the Chief Constable's website: www.cumbria.police.uk. This introduction aims to provide a simplified summary of the financial statements as part of this publication. It is also available as stand-alone Summary Statement document on the same website. The Commissioner's consolidated financial statements can be accessed from the Commissioner's website: www.cumbria-pcc.gov.uk.

Statutory Framework

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

The PRSRA 2011 established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The Chief Constable is accountable to the Commissioner for leadership of the force, the delivery of efficient and effective policing and the management of resources and expenditure for the police force.

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

England and Wales. The Code supports the statutory 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.

2014/15 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 2014/15 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

Summary Budget and Outturn

The Chief Constable's budget amounting to £105.66m is based upon the funding agreement with the Commissioner.

The table below shows the summary budget for 2014/15 as set on 24 February 2014, 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 2014/15 £000s	Revised Budget 2014/15 £000s	Provisional Outturn 2014/15 £000s	(Under)/Overspend 2014/15 £000s
Police Officers	72,651	74,246	74,379	133
PCSOs	2,848	2,792	2,648	(144)
Police Staff	19,251	19,128	19,193	65
Other Employee	582	863	1,100	237
Transport	2,672	2,547	2,272	(275)
Supplies & Services	9,231	9,285	9,463	178
Third party Related	1,289	1,565	1,423	(142)
Total Expenditure	108,524	110,426	110,478	52
Income	(2,860)	(4,641)	(4,951)	(310)
Total Constabulary	105,664	105,785	105,527	(258)

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 £95.33m, which is broken down into Police Officers £72.65m, PCSO's £2.85m, Police Staff £19.25m and other employee costs of £0.58m. The remainder of the budget relates to non-staff costs including, transport costs of £2.67m and supplies/other costs of £10.52m. Income of £2.86m, 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 2014/15, compared to the revised budget and after taking into account approved budget carry forwards, is an underspend of £258k.

During the year the Constabulary experienced downward pressure on some budget headings through a combination of higher than anticipated turnover of police officers, the unexpected fall in the price of fuel and additional mutual aid income arising from the Constabulary's contribution to policing the NATO summit in Wales.

The early identification of potential under-spending allowed the budget to be pro-actively managed and has facilitated investment in staff and specialist ICT resources to deliver enhanced technology. In particular, the capacity for mobile and digital working is being developed, which will improve the future productivity and visibility of officers and staff.

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 £9.46m in 2014/15 are shown in the financial statements of the Commissioner. This included investment in a new Territorial Policing HQ in Barrow and a range of ICT systems to support operational policing including a network of CCTV across the County.

The Financial Statements

This section of the financial summary provides an explanation of the various parts of the financial statement alongside a high level summary and narrative on the financial position. 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 17 in the full statement of accounts.

The table below sets out a summary movement in reserves statement.

Summary Movement in Reserves	Balance 31/03/2014 £000s	Movements 2014/15 £000s	Balance 31/03/2015 £000s
Police Pensions Reserve	(999,400)	(143,170)	(1,142,570)
LGPS Pensions Reserve	(16,776)	(14,605)	(31,381)
Accumulated Absences Reserve	(3,336)	652	(2,684)
Total Reserves	(1,019,512)	(157,123)	(1,176,635)

The reserves shown above on the Chief Constable's movement in reserves statement are all classed as 'unusable' and principally record the Chief Constable's accounting entries in relation to the Police and Local Government Pension Schemes. Accounting adjustments made through the unusable reserves provide a mechanism through which transactions are reflected in the accounts in accordance with proper accounting practices, whilst allowing the statutory amounts required to be charged for council tax purposes.

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 £5.149m to meet unplanned risks and earmarked reserves of £22.38m for specific revenue and capital purposes. During 2014/15 a total of £5.28m of the Commissioner's earmarked reserves were drawn down to fund revenue and 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 18 of the full statement of accounts.

Summary of Accounts 2014/15

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

Summary CI&ES	Gross Expenditure 2014/15 £000s	Gross Income 2014/15 £000s	Net Expenditure 2014/15 £000s
Local Policing	48,051	(101)	47,950
Dealing with the public	7,010	(1)	7,009
Criminal justice arrangements	9,058	(21)	9,037
Road policing	7,224	(53)	7,171
Specialist operations	3,320	(33)	3,287
Intelligence	5,440	(5)	5,435
Investigation	13,087	(16)	13,071
Investigative support	3,254	(4)	3,250
National policing	1,807	(72)	1,735
Other costs	1,034	0	1,034
Funding Provided by PCC to CC	0	(106,912)	(106,912)
Cost of Services	99,285	(107,218)	(7,933)
Financing Costs and Investment Income	48,549	(4,093)	44,456
(surplus)/deficit on the provision of services	147,834	(111,311)	36,523
Other comprehensive income and expenditure			120,539
Total Comprehensive income and expenditure			157,062

The statement shows that the net cost of providing policing services amounted to almost £99m in 2014/15. Of this figure local policing services, which include neighbourhood policing, incident management, 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 31 of the full statement of accounts.

In addition, the CI&ES also records a number of technical adjustments including 'financing costs & investment income' £44.46m and 'other comprehensive income and expenditure' £120.54m, which show changes to future pensions obligations over the year based on proper accounting practices. The overall effect of the cost of providing services and the pensions adjustment is to produce an accounting deficit of £157m for the year, which largely impacts on unusable pensions reserves. The analysis on page 2 of this summary, based on the management accounts, shows a surplus of £258k.

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 62.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2015) of the Chief Constable's assets and liabilities.

Summary of Accounts 2014/15

The table below sets out the summary balance sheet for the Chief Constable.

Summary Balance Sheet	Balance	Balance
	31/03/2014	31/03/2015
	£000s	£000s
Current assets	8,869	11,740
Current Liabilities	(11,415)	(12,994)
Long Term Liabilities	(1,016,966)	(1,175,381)
Net Assets	(1,019,512)	(1,176,635)
Unusable Reserves	(1,019,512)	(1,176,635)
Total reserves	(1,019,512)	(1,176,635)

The Chief Constable's current assets (£11.7m) 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 (£13m) 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 (£1,175m) 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 19 in the full statement of accounts.

The Chief Constable's 2014/15 balance sheet shows a combined pensions deficit of £1,174m (£1,016m in

2013/14) 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 20 of the full statement of accounts.

The table below provides a summary of the cash flow statement:

Summary Cash Flow Statement	Cash flows	Cash flows
	2013/14	2014/15
	£000s	£000s
Cash & Cash Equivalents 1 April	0	0
Net (Surplus)/Deficit on the provision of services	42,071	36,523
Adjustments for non-cash movements	(42,071)	(36,523)
Net cash flows from operating activities	0	0
Cash & Cash Equivalents 31 March	0	0

Police Officer Pension Fund Accounts

This statement sets out the transactions on the Police Officer pension fund account for the year. The statement records all of the contributions that have been made to the pension fund during the year. These are primarily contributions from employees and the Constabulary as employer. Contribution rates are set nationally by the Home Office. There are also small amounts of other contributions, either from officers joining the scheme in the year and transferring in existing pensions benefits or additional contributions from the employer to cover the cost of ill-health retirements.

The fund also records the benefits paid out of the fund to its members. Any difference between the contributions received into the fund and amount paid out is met by government grant, paid through the Commissioner. This means that the police pension fund always balances to nil.

A summary of the pension fund is shown below.

Summary Police Pension Fund	Pension Fund A/C 2013/14 £000s	Pension Fund A/C 2014/15 £000s
Contributions - Employer	(9,772)	(9,794)
Contributions - Officers	(5,277)	(5,515)
Contributions - Other	(767)	(444)
Benefits Payable	30,392	30,503
Other Payments	182	419
Net Amount Payable	14,758	15,169
Contribution from Home Office	(14,758)	(15,169)
Net Amount Payable	0	0

The statement identifies contributions made in 2014/15 totaling £15.75m. The pension benefits that are payable from the fund, together with other payments amounted to £30.92m. The balance between contributions and pensions' benefits paid of £15.17m has been funded by the Home Office. The full pensions fund accounts and note can be found on pages 39-40 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 2011 Accounts and Audit (England) Regulations.

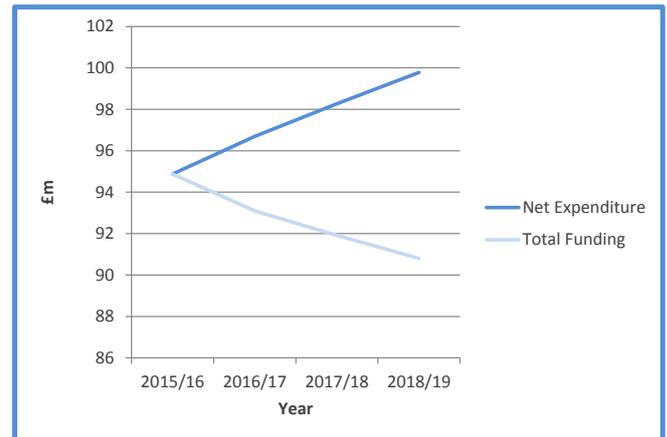
The Annual Governance Statement of the Chief Constable can be found in (Annex C) of this Statement of Accounts on pages 65-98 or on the Constabulary website at: www.cumbria.police.uk.

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the strong overall financial position of the Commissioner and Chief Constable as at 31 March 2015. This has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of future reductions in government funding. This has enabled reserves to be maintained at a level that provides some financial resilience. This is in the context of uncertainty regarding future national funding allocations and changes to the funding formula that is used to distribute government funding to policing areas. Whilst the outlook is financially resilient in the short term, it is expected to become significantly more challenging over the next few years.

Significantly, the budget approved on 24 February 2015 for the 2015/16 financial year was set in the context of a four year medium term financial forecast that is dependent on over £10m of savings being delivered, over and above £16m that have already been found since 2010.

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



During 2015 a new spending review is expected to provide more certainty with regard to the total level of resources available. Announcements are also anticipated regarding changes to police formula funding that will impact on how national resources are distributed.

The Commissioner and Chief Constable continue to work to develop and implement organisational changes that will address the future gap between expenditure and income.

Acknowledgements

The financial statements were authorised for issue by me as CC Chief Finance Officer (CFO), on 28 May 2015 and following completion of the audit, they will be presented for approval by the Chief Constable at a joint meeting of the Executive Board and Joint Audit and Standards Committee.

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 Commissioner's 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 2015 and its income and expenditure for the year there ended.

CC Chief Finance Officer

Roger Marshall CPFA _____ Date 28 May 2015

The accounts have been signed off and authorised for issue by the CC CFO on 28 May 2015. At this point the appointed auditor from Grant Thornton UK LLP has not completed her annual audit and as such has not given an opinion. The accounts are therefore watermarked "subject to audit". Once the audit has been completed (expected September 2015), the audit opinion will be provided and the accounts will be presented to the Commissioner at a joint meeting of the Executive Board and the Joint Audit and Standards Committee for approval.

Monitoring Key Audit Recommendations

Introduction

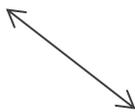
This report is designed to monitor the implementation of recommendations and actions arising from Audit and Inspection.

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

Report Summary

Summary of Actions	
Open actions b/fwd from last report	9
New actions since last report	15
Total actions this report	24
Actions completed since last report	8
Open actions c/fwd to next report	16

Key to Actions	Summary of Total Actions by Status
 Completed	8
 Ongoing	3
 timescale exceeded	0
 not yet due	13
Total	24



Key to Grade:

Cumbria Shared Internal Audit Service

The shared internal audit service have recently changed the format of their reports and the grading applied to audit recommendations. The table below provides a key to both the new and old grading.

New Grade/Priority		Previous Grade/Priority	
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control.	1	Major recommendation that indicates a fundamental control weakness that must be addressed
Medium	Some risk exposure identified from a weakness in the system of internal control.	2	Recommendation to be addressed in order to establish a satisfactory level of internal control
Advisory	Minor risk exposure/suggested improvement to enhance the system of control.	3	Minor recommendation made to improve the system under review

Members have requested that this summary of recommendations report provides an update on actions where the recommendation was graded High/Medium (previously 1 or 2) only. Minor Advisory (previously grade 3) recommendations are monitored by individual managers.

External Audit – Grant Thornton

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

Audit Report	Report Date	Report emailed to JASC Member	Report considered by JASC Meeting	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Audit of Governance - Anti Fraud & Corruption Policy (CC)	14/01/2015	04/02/2015	N/A	R2 A job description for the post of Director of Professional Standards Department is required to document the duties, responsibilities and reporting relationships of this post.	Medium	Director of Professional Standards Paul Duhig	The Director of Professional Standards will progress the matter with HR and the Deputy Chief Constable. February 2015 - Initial discussions with regard to developing a specific job description for the Director of PSD role have taken place but will need to be consistent with those of other senior police officer roles. May 2015 - Job Description has been written and agreed by DCC and is now in place.	15/01/2015	30/04/2015	☀
Audit of Governance - Anti Fraud & Corruption Policy (CC)	14/01/2015	04/02/2015	N/A	R5 A mechanism for periodic cross checking contract / procurement records with gifts & hospitality registers, records of business interests, details of secondary occupations and intelligence data should be fully documented with responsibilities clearly defined. Outcomes should be reported to the Professional Standards Department management team for review and action. Monitoring arrangements should be detailed in the Anti-Fraud and Corruption procedures for transparency and clarity.	Medium	Director of Professional Standards Paul Duhig	The Procurement Manager will report conflicts of interest to PSD in early January 2015. Thereafter for key procurement decisions made PSD will cross check against appropriate department records. February 2015 - Discussions are still to take place between PSD and Procurement. Procedures will be developed for cross referencing to annual statutory accounts as at 31 March 2015 and will be put in place on an ongoing basis thereafter. May 2015 - Monthly PSD PDC process now includes cross checking gifts and gratuities, secondary business/employment, business interests, PSD intelligence and also Procurement now forward details of all staff involved in decision-making roles in any significant contracts to PSD for specific cross checking to identify any potential concerns. This has been incorporated into force anti-corruption policy.	31/01/2015	30/04/2015	☀
Audit of Communications Centre (CC)	11/02/2015	11/02/2015	10/03/2015	R1 The review of the format of the plan should be used as a means to develop it into a single point for identifying actions required, and monitoring and reporting of progress. Including, making more explicit: • The source of the action, and to whom progress should be reported; • Who is responsible for the action, who should be taking the action and any target dates for implementation • Prioritisation of the actions; • Steps to address any slippage • Details of when and by whom it was last updated.	Medium	Chief Inspector Communications	The Action Plan will be reviewed monthly and subject to TP command oversight. April 2015 - This is now in place. The action plan has been reviewed and is now on sharepoint. The team are due to review in May 2015.	May-15	-	☀
Audit of Communications Centre (CC)	11/02/2015	11/02/2015	10/03/2015	R2 All staff should receive regular, diarised one-to-ones.	Medium	Chief Inspector Communications	Staff 1:1's to be recommenced immediately. February 2015 - Staff 1:1 meetings are being arranged and conducted within the different shifts. April 2015 - Staff 1:1 meetings are all being progressed on a regular basis.	May-15	-	☀
Policy Development & Management (OPCC)	16/02/2015	16/02/2015	10/03/2015	R1 Policy developments should be properly identified and documented in a plan, which has been given appropriate approval and shared with the team. There should be regular review and reporting of progress against the plan with management actions to deal with issues in performance to ensure accountability.	Medium	Head of Partnerships and Commissioning Vivian Stafford	Policy identification: • We will list our existing policies with assigned owners and a process for review. • Policies to be developed separately from the Constabulary's will be identified together with an owner. A plan will be put in place for monitoring and action May 2015 - Work is in progress to complete the action prior to the August 2015 deadline.	Aug-15	-	☀
Policy Development & Management (OPCC)	16/02/2015	16/02/2015	10/03/2015	R2 Policies should be dated or version controlled and only the latest versions should be available for staff to follow. There should be clarity within the document library regarding the application of constabulary policies and these policies should be readily available.	Medium	Governance and Business Services Manager Joanne Head	We will review the current content of the document library and remove any out of date versions. We will ensure appropriate links are in place to the Constabulary's policies where these are being relied on. June 2015 - Older versions of documents have been removed from the document library. Work is in progress regarding policies	Aug-15	-	☀
Audit of Risk Management (OPCC)	16/02/2015	16/02/2015	10/03/2015	R1 Strategic risks should clearly focus on the delivery of strategic objectives as outlined in the Police and Crime Plan and other core strategies.	Medium	Governance and Business Services Manager Joanne Head	We look to review our risk register following the outcome of the audit and comments from the Joint Audit and Standards Committee. April 2015 - The OPCC is in the process of reviewing its strategic risk register following risk management training on 23 March 2015. June 2015 - on 15 June 2015 the OPCC Executive Team will be undertaking a review of the current strategic risk register and revising it accordingly.	Jun-15	-	☀

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Audit of Risk Management (OPCC)	16/02/2015	16/02/2015	10/03/2015	R2 COPCC and Constabulary risk reporting formats for Joint Audit & Standards Committee should be aligned.	Medium	Governance and Business Services Manager Joanne Head	We will consider the risk reporting format as part of our review of the risk register and following advice from the Joint Audit and Standards Committee. April 2015 - The OPCC has considered the Internal Audit comments and wishes to remain as open and transparent as possible. At the Joint Audit and Standards Committee meeting on 10 March the members were advise of the OPCC's intention to continue to present its full strategic risk register which the committee were in agreement with.	Jun-15	-	☀
Audit of Custody Review Evaluation (CC)	16/02/2015	17/02/2015	N/A	R1 The evaluation record sheet should contain robust identification of further efficiencies and further actions required.	Medium	Change programme Manager	Following discussion at the close out meeting for this audit, it became apparent that the issues identified were about terminology and clarity of that terminology rather than process issues. It is not always possible to identify exact efficiencies as further work may need to be done e.g. for the performance framework example quoted, the framework may be used to inform any future improvements and potential efficiencies, but the framework itself would not yield any and these efficiencies / or actions taken as a result of the performance framework for the area in question could not be identified at this stage. The column headings and the instructions for use that are part of the template used for review evaluations will be changed to ensure clarity for the user and the reader. April 2015 - Following the audit the Dir of Corporate Improvement and the Change programme Manager reviewed the evaluation toolkit to address the issues raised, they paid particular attention to the examples provided on page 4 of the toolkit and included wording in the "could further efficiencies made" column to say "if VFM is not provided is there an opportunity to improve this?" the review did not identify any other areas where wording within the template could be changed to provide further clarity, however the audit recommendations will be considered for all future evaluations to ensure that clear wording is used in relation to identifying efficiencies and actions required when completing the toolkit.	Apr-15	-	☀
Business Continuity Planning (OPCC)	19/05/2015	20/05/2015	23/06/2015	R1 The Commissioner's office should set out its business continuity plan assurance requirements from the Chief Constable and work with the Constabulary to ensure there are appropriate arrangements in place for these to be met.	Medium	Engagement and Communications Officer Linda McGinley	We will define the requirements of the Commissioner to ensure appropriate arrangements are in place. The Engagement and Communications Officer will meet with the Temporary Superintendent Operations to set out our requirements. The outcome will be reported to the Commissioner at the Executive Board in August.	30/09/2015	-	☀
Business Continuity Planning (OPCC)	19/05/2015	20/05/2015	23/06/2015	R2 The OPCC's approach to business continuity planning should be defined and a policy and strategy based on this.	High	Engagement and Communications Officer Linda McGinley	We will codify the existing documentation to illustrate the OPCC's approach and will include some elements of recommendation 4 within this document.	31/07/2015	-	☀
Business Continuity Planning (OPCC)	19/05/2015	20/05/2015	23/06/2015	R3 The OPCC's business continuity requirements should be defined by management prior to the plan being prepared.	High	Engagement and Communications Officer Linda McGinley	We will define our requirements within the overarching document above.	31/07/2015	-	☀
Business Continuity Planning (OPCC)	19/05/2015	20/05/2015	23/06/2015	R4 Once a policy and strategy and organisational requirements have been defined, we recommend that a project plan is implemented for the development of business continuity plan(s) within the OPCC with clearly defined reporting and sign-off arrangements.	High	Engagement and Communications Officer Linda McGinley	This will be incorporated within the document detailed in recommendation 2 and will include: • A high level project plan with timeline stating what will be delivered and when; • Sign-off and reporting arrangements	31/07/2015	-	☀
Business Continuity Planning (OPCC)	19/05/2015	20/05/2015	23/06/2015	R5 Arrangements should be introduced to give the OPCC assurance that the requirements of the Financial Regulations in relation to Business Continuity Planning are being complied with.	High	Chief Executive Stuart Edwards	Completing actions 1 to 4 will address this. The OPCC's Chief Finance Officer has input to the financial services business continuity arrangements which cover part of the overall business continuity arrangements.	30/09/2015	-	☀
Debtors (OPCC & CC)	22/05/2015	22/05/2015	N/A	R3 Arrangements should be made to ensure that first and final reminder letters are consistently issued in accordance with procedures	Medium	Head of Central Services Ann Dobinson	Management will remind staff to issue timely reminders, in accordance with procedures. Compliance will be monitored by the Business Services Team Leader on a monthly basis. May 2015 - All staff have been reminded of the need to take timely debt recovery action by email and at a team meeting.	29/05/2015	-	☀

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Budget Management (OPCC & CC)	27/05/2015	02/06/2015	?	R2 Non-matched invoices should only be approved by authorised signatories.	Medium	Principal Financial Services Officer, Revenue & Systems Mark Carter	The Central Services Department (CSD) processes will be reviewed. A monthly check on the accuracy of the approvals listing will be carried out to ensure that changes are enacted promptly. CSD will be alerted to the updated list.	30/06/2015	-	☺
Budget Management (OPCC & CC)	27/05/2015	02/06/2015	?	R3 Information recorded on the spreadsheet (attached to the management accounts detailing the Top Level and Budget Adjustments) should include reference to who has made the request.	Medium	Principal Financial Services Officer, Revenue & Systems Mark Carter	A new column will be added to the spreadsheet to show who has requested the adjustment. The Deputy Chief Finance Officer will sign off the adjustments each month. May 2015 - This has now been incorporated into the management accounts template for reporting in 2015/16 w.e.f. the management accounts for May'15.	30/06/2015	-	☺
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	R1 We recommend that a business continuity management policy is developed and signed off by an appropriate senior management forum. Consideration should be given to including within the policy: • The constabulary's commitment to effective business continuity management • The requirement of department heads to consider business continuity requirements for all areas within their control • The scope of the policy (including its application to third party arrangements and contracts) • The review frequency (of the policy) and approval mechanism • Key roles and responsibilities • Linkages with other functions and policies	Medium	Chief Superintendent, Territorial Policing Steven Johnson	A Business Continuity Planning Policy will be developed.	30/11/2015	-	☺
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	R2 We recommend that the strategy is reviewed in line with best practice and formally approved by senior management and communicated as appropriate.	Medium	Chief Superintendent, Territorial Policing Steven Johnson	A Business Continuity Management Strategy will be developed in line with the Policy.	30/11/2015	-	☺
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	R3 We recommend that a mechanism is established to provide assurance to the Chief Constable that all business continuity plans have been prepared, are in line with organisational requirements and the approved business continuity policy and strategy, and are updated in line with the organisations agreed timescales.	High	Assistant Chief Constable Darren Martland	Business continuity management arrangements will be reviewed 6 monthly at Operations Board. Operations Board will report to Chief Officers' Group.	30/11/2015	-	☺
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	R4 We recommend that arrangements are introduced to ensure that emerging legislation and best practice is reflected in the constabulary's arrangements. The current plan template should be updated to refer to the current Standards for BCM.	Medium	Chief Superintendent, Territorial Policing Steven Johnson	Checks will be made to ensure that legislation is up to date when Policy is updated.	01/12/2015	-	☺
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	R5 We recommend that a corporate review of critical activities and functions is undertaken to ensure that these are priorities across the constabulary. ACPO guidance has suggested 13 critical activities for police forces which may be a useful reference for this work.	High	Chief Superintendent, Territorial Policing Steven Johnson	Critical activities will be reviewed as part of the Policy review.	31/05/2016	-	☺

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	R6 We recommend that the constabulary determines what its requirements are for testing of business continuity arrangements in order to ensure that they work effectively and to support the assurances given to the Chief Constable over the robustness of the arrangements.	Medium	Chief Superintendent, Territorial Policing Steven Johnson	Testing and training regimen will be part of the Policy.	30/11/2015	-	☺
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	R7 We recommend that consideration is given to the frequency that the constabulary expects business continuity plans to be reviewed and that this is documented and communicated to all plan owners. Consideration should also be given to amending the template to incorporate the date of next review.	Medium	Chief Superintendent, Territorial Policing Steven Johnson	Policy will dictate how often it is to be reviewed and by whom.	30/11/2015	-	☺

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JOINT POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT & STANDARDS COMMITTEE	Paper No.
Meeting date: 23 June 2015	Agenda Item: 9
From: Audit Manager (Cumbria Shared Internal Audit Service)	

INTERNAL AUDIT: ANNUAL REPORT 2014/15 (FINAL)

1.0 EXECUTIVE SUMMARY

1.1 This report provides a summary of the outcomes of the work of internal audit for 2014/15 and includes the Head of Internal Audit's opinion on the effectiveness of the Police and Crime Commissioner and Constabulary's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards.

1.2 A report containing the draft opinion, based on the audits completed to 31st March, was presented to this Committee on 6th May. This report contains the final opinion, incorporating work concluded since the 6th May meeting. Key changes from the previous report are highlighted.

1.3 Key points from internal audit's annual report are:

- A total of 17 audit reviews have been completed. This represents all of the planned audit work for the year.**
- The audits of business continuity planning for the OPCC and Constabulary, concluded since we reported our draft opinion at the May meeting, have received less than reasonable assurance. This has not affected the overall opinion for either organisation.**
- Overall levels of assurance are considered to be high with 87% of finalised audit reviews concluding at least a reasonable level of assurance. However, as outlined above, it has not been possible to provide a reasonable level of assurance over aspects of business continuity planning for both the OPCC and Constabulary. Two pieces of audit work in this area identified weakness in the**

arrangements. Agreed action plans are now in place to address these issues and internal audit will follow these up.

1.4 **Summaries of the outcomes of all completed audits during the year are included at Appendix 1. The text shaded in grey has been reported to Audit and Standards Committee through regular progress reports during the year.**

2.0 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS, AND LINKS TO COUNCIL PLAN

2.1 **Internal Audit's assessment of internal control forms part of the annual assessment of the system of governance, risk management and internal control, which is now a mandatory requirement.**

2.2 **The Audit Plan aims to match internal audit coverage with the PCC and Constabulary's corporate risk assessment.**

2.3 **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 progress achieved in 2014/15 in delivering the audit plan.**
- **The Head of Internal Audit's **final** opinion and assurance statement on the PCC and Constabulary's overall systems of governance, risk management and internal control for the year ended 31st March 2015.**
- **The Head of Internal Audit's declaration of conformance with the mandatory Public Sector Internal Audit Standards.**
- **The results of the Quality Assurance and Improvement programme**
- **The Head of Internal Audit's declaration of Internal Audit independence as required by the PSIAS.**

4.0 BACKGROUND

- 4.1 The PCC and Chief Constable are required to maintain effective internal audit of their affairs by the Accounts and Audit (England) Regulations 2011 (superseded by the 2015 regulations from 1 April 2015). In fulfilling this requirement the PCC and Chief Constable should have regard to the Public Sector Internal Audit Standards (PSIAS), and associated (CIPFA) Local Government Application Note as the relevant internal audit standards for local government and police. The PSIAS became mandatory for all UK public sector internal auditors from 1st April 2013.
- 4.2 Internal audit is responsible for providing independent assurance to the PCC and Constabulary's senior management and to the Audit and Standards Committee on the systems of governance, risk management and internal control.
- 4.3 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.

Internal Audit Opinion

- 4.4 The purpose of this report is to give my opinion as the Head of Internal Audit for the PCC and Cumbria Constabulary on the adequacy and effectiveness of both organisations' systems of risk management, governance and internal control from the work undertaken by internal audit for the year ended 31st March 2015.
- 4.5 This report is a key contributor to the PCC and Constabulary's Annual Governance Statement.
- 4.6 In giving this opinion, it should be noted that assurance can never be absolute and it is not possible to give complete assurance that there are no major control weaknesses. My opinion is based on the work undertaken by internal audit during the year, including the outcomes of follow up work.
- 4.7 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.
- 4.8 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.

4.9 However, I am unable to provide a reasonable level of assurance over aspects of the OPCC and Constabulary's business continuity planning arrangements. Issues arising from these two audits are summarised in Appendix 1. There are action plans in place in respect of both pieces of internal audit work and follow up work will be undertaken to provide assurance on the implementation of the agreed actions.

4.10 Where internal audit work has identified scope for improvements, the management response has been appropriate and action plans agreed.

4.11 The Shared Service Group Audit Manager has undertaken review of all internal audit work contributing to the annual opinion statement and is able to confirm that all work has been undertaken in accordance with the Public Sector Internal Audit Standards and with the Quality Assurance and Improvement Programme. All audit work has been reviewed at key stages by the Audit Manager or nominated deputy and is supported by appropriate evidence.

4.12 The Group Audit Manager supports the assurance opinion provided in this report.

Internal audit performance

4.13 A suite of performance measures were used to monitor Internal Audit's performance during 2014/15. The results are shown below.

Measure	Description	Benchmark	Actual
Completion of audit plan	% of audits completed to final report	95% (annual target)	100%
	Number of planned days delivered	180	180
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	100%
Timeliness of final reports	% of final reports issued for corporate director comments within five working days of management response of closeout meeting.	90%	100%

Measure	Description	Benchmark	Actual
Recommendations agreed	% of recommendations accepted by management	95%	100%
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	100%
Quality assurance checks completed	% of QA checks completed	100%	100%
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	84%
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	77%

Internal audit coverage and outputs

- 4.14 13 reviews have been finalised with all receiving at least reasonable assurance levels.
- 4.15 There are four reviews which are work in progress. At the time of preparing this report, one of these reviews had been issued in draft.
- 4.16 The following table summarises the total number of audit evaluations made during 2014/15.

Assurance level	Constabulary		OPCC		Joint	
	Total	%	Total	%	Total	%
Substantial	3	33	2	40	1	33
Reasonable	4	45	1	20	2	67
Partial	1	11	-	-	-	-
No / limited	-	-	1	10	-	-
N/A	1	11	1	10	-	-
Total to date	9	100	5	100	3	100

- 4.17 Appendix 1 provides the detail of audit work undertaken over the year to 31st March 2015. Text that is shaded in grey was reported to Audit & Standards Committee at its meeting on 6th May and is included here for completeness.

Statement of Conformance with Public Sector Internal Audit Standards

- 4.18 A separate paper has been reported to Audit & Standards Committee setting out the Review of Internal Audit Effectiveness. The review took the format of a self-assessment against the checklist contained within the Local Government Application Note which accompanies the Public Sector Internal Audit Standards.
- 4.19 The outcomes of the review confirm that internal audit work has been undertaken in accordance with the Public Sector Internal Audit Standards.

Emma Toyne
Audit Manager
4th June 2015

APPENDICES

Appendix 1: Audits completed for the year ended 31st March 2015

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

Appendix 1 – Final reports issued to 30 May 2015

Assignments	Main Points	Assessment	Current Status
Annual report 13/14	Presented to Audit and Standards Committee 23 June 2014.	N/A	Complete
Annual Governance Statement 13/14 - PCC	Presented to Audit and Standards Committee 23 June 2014.	N/A	Complete
Annual Governance Statement 13/14 - Constabulary	Presented to Audit and Standards Committee 23 June 2014.	N/A	Complete
Absence Management – Constabulary	<p>The purpose of the audit was to provide assurance over the arrangements in place within the Constabulary to manage attendance.</p> <p>The audit identified the level of commitment to reducing employee absence as a strength.</p> <p>Three recommendations were made in respect of:</p> <ul style="list-style-type: none"> • Documenting procedures for the collation and reporting of quarterly absence data (<i>medium priority</i>) • Further developing the Origin HR system (<i>medium priority</i>) and; • Completing the review of the absence management policy by the revised target date (<i>advisory issue</i>). 	Reasonable Assurance	<p>Report circulated to Audit and Standards Committee 22/09/14</p> <p>Customer feedback form returned</p>

Appendix 1 – Final reports issued to 30 May 2015

Assignments	Main Points	Assessment	Current Status
Project Management Arrangements – New Barrow Police Station	<p>The purpose of the audit was to provide assurance over the project management arrangements for the new police station at Barrow.</p> <p>The audit identified several areas of good practice including:</p> <ul style="list-style-type: none"> • Sound governance arrangements; • A suitably qualified and skilled project team; • Input from internal specialists as required (eg finance and legal) • Budget monitoring and financial processes • Systems for recording and reporting risks. <p>No recommendations were made.</p>	Substantial assurance	<p>Report presented to Audit and Standards Committee 22/09/14</p> <p>Customer feedback form returned</p>
Payroll	<p>The purpose of the audit was to provide assurance over the arrangements in place for payroll data, deductions, procedures and security.</p> <p>The audit identified several areas of good practice including:</p> <ul style="list-style-type: none"> • Clearly stated targets which are consistently achieved; • Regular monitoring and reporting of payroll performance; • Good level of training • Robust access controls • Management review of input and reconciliation prior to payment; • Strict adherence to timetables. <p>No recommendations were made.</p>	Substantial Assurance	<p>Report circulated to Audit and Standards Committee</p> <p>Customer feedback form returned</p>

Appendix 1 – Final reports issued to 30 May 2015

Assignments	Main Points	Assessment	Current Status
<p>Governance – Anti Fraud & Corruption policy (Constabulary)</p>	<p>The purpose of the audit was to provide assurance over the arrangements in place for the anti-fraud and corruption policy.</p> <p>A number of strengths were identified during the audit including:</p> <ul style="list-style-type: none"> • Quarterly reporting to the OPCC on anti-fraud and corruption activity; • Clear promotion and publication of anti-fraud and corruption activity and procedures through an on-going programme of staff awareness raising and training presentations; • Promotion of high standards of integrity, conduct and ethical behaviour within the organisation. <p>Six medium priority recommendations were made regarding:</p> <ul style="list-style-type: none"> • Timely approval, publication and implementation of the anti-fraud and corruption policy; • No job description for the Director of Professional Standards • The need for supervisory review and challenge of gifts and gratuity submissions; • Reporting monitoring activity for gifts and gratuities to Professional Standards Department management team for review and action on a regular basis. • Cross checking of contract / procurement records with other records • The need to promptly report incidents as they arise to the Chief Finance Officers of both organisations. 	<p>Reasonable Assurance</p>	<p>Report circulated to Audit and Standards Committee</p> <p>Customer feedback form returned</p>

Appendix 1 – Final reports issued to 30 May 2015

Assignments	Main Points	Assessment	Current Status
Governance – Anti Fraud & Corruption policy (OPCC)	<p>The purpose of the audit was to provide assurance over the arrangements in place for the anti-fraud and corruption policy.</p> <p>A number of areas of good practice were identified including:</p> <ul style="list-style-type: none"> • Comprehensive and up to date arrangements for anti-fraud and corruption • Strong accountability through reporting on anti-fraud and corruption activity • Clarity of roles and responsibilities and the duty of all staff in respect of their own conduct • Monitoring adherence to the policy and procedures. <p>No recommendations were made.</p>	Substantial Assurance	<p>Report presented to Audit and Standards Committee 10/03/15</p> <p>Customer feedback form returned</p>
Risk Management (Constabulary)	<p>The purpose of the audit was to provide assurance over the constabulary's risk management arrangements.</p> <p>The review confirmed that:</p> <ul style="list-style-type: none"> • there is an approved, current risk management policy, clearly stating risk management responsibilities, which has been communicated to staff. • Quarterly quality assurance processes are in place to monitor compliance with the policy and there is challenge of both strategic and operational risks at an appropriate level. • The constabulary have taken on board the findings of an independent review of their risk management arrangements. 	Substantial Assurance	<p>Report presented to Audit and Standards Committee 10/03/15</p> <p>Customer feedback form returned</p>

Appendix 1 – Final reports issued to 30 May 2015

Assignments	Main Points	Assessment	Current Status
	No recommendations were made.		
Risk Management (OPCC)	<p>The purpose of the audit was to provide assurance over the arrangements in place for risk management.</p> <p>A number of areas of good practice were identified during the audit including:</p> <ul style="list-style-type: none"> • An approved, up to date risk management strategy is in place and has been clearly communicated to staff; • Clear roles and responsibilities for risk management • Arrangements are in place to oversee the Constabulary’s risk management arrangements. <p>Four recommendations were made in respect of:</p> <ul style="list-style-type: none"> • Clearly focussing strategic risks on the delivery of strategic objectives; <i>(medium priority)</i> • Aligning OPCC and Constabulary risk reporting formats <i>(advisory issue)</i> • Provision of a risk management training course <i>(advisory issue)</i> • Providing guidance to staff on risk identification <i>(medium priority)</i>. 	Reasonable Assurance	<p>Report presented to Audit and Standards Committee 10/03/15</p> <p>Customer feedback form returned</p>
Policy development and management (Constabulary)	<p>The purpose of the audit was to provide assurance over the Constabulary’s arrangements for policy development and management.</p> <p>Points of good practice identified during the audit included:</p>	Substantial Assurance	Report presented to Audit and Standards

Appendix 1 – Final reports issued to 30 May 2015

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> • Clear allocation of responsibility / accountability to Strategic Development Unit; • Development of a programme of policy review; • Use of Authorised Professional Practice published by the College of Policing to avoid duplication of effort and ensure best practice; • Withdrawal of out of date policies from the policy library. <p>No recommendations were made.</p>		<p>Committee 10/03/15</p> <p>Customer feedback form returned</p>
Policy development and management (OPCC)	<p>The purpose of the audit was to provide assurance over the OPCC's arrangements for policy development and management.</p> <p>Areas of good practice identified include:</p> <ul style="list-style-type: none"> • Clear allocation of responsibility / accountability to the recently appointed Head of Partnerships and Commissioning; • A defined process for consulting on and approving policies; • Arrangements for communication of and training on new policies. <p>Two medium priority recommendations were made in respect of :</p> <ul style="list-style-type: none"> • A policy development plan • Maintenance of the document library. 	Reasonable Assurance	<p>Report presented to Audit and Standards Committee 10/03/15</p> <p>Customer feedback form returned</p>
Communications Centre	<p>The purpose of the audit was to provide assurance over the Constabulary's arrangements in place within the Communications Centre.</p> <p>Areas of good practice identified included:</p> <ul style="list-style-type: none"> • A comprehensive induction and training programme for staff • Clearly defined roles and responsibilities 	Reasonable Assurance	<p>Report presented to Audit and Standards Committee 10/03/15</p>

Appendix 1 – Final reports issued to 30 May 2015

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> • A standard framework for call logging. <p>Two medium priority recommendations were made in respect of:</p> <ul style="list-style-type: none"> • The Communications Centre Action Plan • Regular 1:1's between staff and their managers. 		Customer feedback form returned
Custody Evaluation Review	<p>The purpose of the audit was to provide assurance over the arrangements for the review of custody evaluation.</p> <p>Areas of good practice identified during the audit included:</p> <ul style="list-style-type: none"> • A clear documented process through the use of the 'review evaluation toolkit' <p>One medium priority recommendation was made in respect of completion of the evaluation record sheet.</p>	Reasonable Assurance	<p>Report circulated to Audit and Standards Committee</p> <p>Customer feedback form issued 16/02/15</p>
Business Continuity Planning - OPCC	<p>The purpose of the audit was to provide assurance over the arrangements in place for the preparation and implementation of the OPCC's Business Continuity Plan.</p> <p>At the time of the audit the OPCC had recognised that this is an area that needs to be addressed and resources had been allocated to creating a business continuity plan and work was underway with this.</p> <p>The audit identified the following four high priority issues:</p>	Limited Assurance	<p>Report presented to Audit and Standards Committee 23/06/15</p> <p>Customer feedback form</p>

Appendix 1 – Final reports issued to 30 May 2015

Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> • A defined approach to business continuity planning within the Commissioner’s Office is needed and a business continuity policy should be established; • Governance and management oversight of the preparation of the business continuity plan should be defined and documented to ensure that the plan is appropriate to the needs of the organisation and is appropriately signed off at Senior Management level; • The organisation should define its business continuity requirements to ensure that the plan is developed in line with the organisation’s business continuity needs; • Documented and tested business continuity plans need to be in place to ensure that the organisation is complying with its own Financial Regulations which place a responsibility on Chief Officers to maintain appropriate business continuity plans. <p>There was one medium priority issue:</p> <ul style="list-style-type: none"> • Arrangements for the Commissioner to receive assurance over the Constabulary’s business continuity plans need to be formalised. 		returned
Business Continuity Planning - Constabulary	<p>The purpose of the audit was to provide assurance over the business continuity planning arrangements in place for the Constabulary.</p> <p>The audit identified the following strengths:</p> <ul style="list-style-type: none"> • Business continuity plans are in place for each directorate; • Plans are prepared using a standard template and are available to staff via Sharepoint; 	Partial Assurance	Report presented to Audit and Standards Committee 23/06/15

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Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> • All plans were owned by a named officer; • Testing of the Communications Centre business continuity plan has been carried out and lessons learned as appropriate. <p>Two high priority issues were identified:</p> <ul style="list-style-type: none"> • Arrangements should be introduced to provide regular assurance to the Chief Constable that the constabulary has effective business continuity management arrangements in place, and that plans are up to date, tested and staff are trained on them; • An exercise should be undertaken to prioritise systems and activities to be recovered across the constabulary in the event of a significant business continuity event. <p>There were five medium priority issues:</p> <ul style="list-style-type: none"> • A business continuity policy should be developed to ensure that business continuity arrangements are driven by a corporately agreed stance and approach; • The business continuity management strategy should be reviewed and approved by senior management; • Procedures should be introduced to ensure that new legislation and standards are reflected within the arrangements and documentation; • The constabulary should determine its requirements for testing of business continuity plans and ensure that these tests are carried out and lessons learned as appropriate; • The constabulary should determine its requirements for review of business continuity plans and ensure that reviews are undertaken in 		<p>Customer feedback form issued 02/05/15</p>

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Assignments	Main Points	Assessment	Current Status
	line with agreed frequencies.		
Budget Management	<p>The purpose of the audit was to provide assurance over the arrangements in place for approval of expenditure and preparation of the management accounts.</p> <p>A number of areas of good practice were identified including:</p> <ul style="list-style-type: none"> • A Scheme of Delegation in place for both the Office of the Police and Crime Commissioner and for the Chief Constable; • A financial timetable has been prepared for the preparation of the monthly accounts; • A standardised template has been developed for the preparation of the monthly departmental returns including year to date comparisons and a forecast outturn; • Ongoing communication between the budget holders, Financial Services Officers and the Principal Financial Services Officer in relation to budget forecast and variances. • Suspense accounts are not used and the Oracle system rejects invalid codes. • The e-procurement system has a built in hierarchy restricting inappropriate authorisations taking place. <p>Two medium priority recommendations were made:</p> <ul style="list-style-type: none"> • Only authorised signatories should approve non-matched invoices; 	Reasonable Assurance	<p>Report circulated to Audit and Standards Committee</p> <p>Customer feedback form returned</p>

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Assignments	Main Points	Assessment	Current Status
	<ul style="list-style-type: none"> The Top Level and Budget Adjustment spreadsheet should include the requestor. <p>One advisory issue was made for management to consider how checks carried out on users and their access / responsibility should be evidenced as part of their overall assurance arrangements.</p>		
Debtors	<p>The purpose of the audit was to provide assurance over the arrangements in place for debtors.</p> <p>Several areas of good practice were identified including:</p> <ul style="list-style-type: none"> Clearly defined roles and responsibilities; Documented policies and procedures available to all staff; Reporting debtor levels to management on a monthly basis; Approved write-offs with independent input to the system. <p>One medium priority recommendation was made to follow up outstanding invoices in a consistent, timely manner following the expiry of the 21 day payment terms.</p> <p>Two advisory recommendations were made in respect of:</p> <ul style="list-style-type: none"> Formal sign off of process maps, procedures and documents to evidence approval by management; Consistent version and date control application on process maps, procedures and documents. 	Reasonable Assurance	<p>Report circulated to Audit and Standards Committee</p> <p>Customer feedback form returned</p>

Appendix 1 – Final reports issued to 30 May 2015

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Cumbria Shared Internal Audit Service

Internal Audit Report for Cumbria Office of the Police & Crime Commissioner



Audit of Business Continuity Planning

Draft Report Issued: 13 April 2015

Final Report Issued: 19 May 2015

Audit Resources

Title	Name	Email	Telephone
Audit Manager	Emma Toyne	emma.toyne@cumbria.gov.uk	01228 226261
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Audit Report Distribution

For Action:	Joanne Head (Governance and Business Services Manager) Linda McGinley (Engagement and Communications Officer)
For Information:	Stuart Edwards (Chief Executive)
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 23 June 2015 will receive the report.

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

Cumbria Shared Internal Audit Service

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



1. Background

- 1.1. This report summarises the findings from the audit of Cumbria Office of the Police and Crime Commissioner (COPCC) Business Continuity Planning. This was a planned audit assignment which was undertaken in accordance with the 2014/15 Audit Plan.
- 1.2. Business continuity planning is the process of planning for possibly unexpected, but nevertheless, foreseeable, events. Business continuity planning is important as it provides the COPCC with ways to minimise the effects of unexpected disruptions or emergencies as well as planning a return to normality as soon as practicable.
- 1.3. The Police and Crime Commissioner has a statutory responsibility for holding the Chief Constable to account and good practice would include ensuring that adequate and effective business continuity arrangements are in place within the Constabulary.

2. Audit Approach

2.1. Audit Objectives and Methodology

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

2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Governance and Business Services Manager and the agreed scope areas for consideration were identified as follows:
 - Roles and responsibilities for business continuity planning and management;
 - Adequacy and effectiveness of business continuity plans;
 - Arrangements for testing of and training on plans;
 - Ensuring continuity of service when staff roles and responsibilities change or people leave the organisation
 - Arrangements for ensuring effective use of technology and;
 - Arrangements for holding the Constabulary to account.

2.2.2. The business continuity plan was in the process of being developed during the audit review so the scope of the audit focussed on the arrangements for the preparation and implementation of the plan.

3. Assurance Opinion

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

3.2. The OPCC has recognised that this is an area that needs to be addressed and has allocated resources to creating a business continuity plan and work is now underway on this. However, there is a lack of a corporately agreed approach and the organisation has not yet defined its business continuity arrangements, we have therefore concluded that, from the areas examined and tested as part of this audit review, we consider the current controls operating within business continuity planning provide **Limited** assurance.

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

4. Summary of Recommendations, Audit Findings and Report Distribution

4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.

4.2. There are five audit recommendations are arising from this audit review and these can be summarised as follows:

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1.)	3	1	-

2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2.)	1	-	-
3. Information - reliability and integrity of financial and operational information	-	-	-
4. Security - safeguarding of assets	-	-	-
5. Value - effectiveness and efficiency of operations and programmes	-	-	-
Total Number of Recommendations	4	1	0

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

4.3.1. *High priority issues:*

- There is a need for a defined approach to business continuity planning within the Commissioner's Office and a business continuity policy should be established.
- Governance and management oversight of the preparation of the business continuity plan should be defined and documented to ensure that the plan is appropriate to the needs of the organisation and is appropriately signed off at senior management level.
- The organisation should define its business continuity requirements to ensure that the plan is developed in line with the organisation's business continuity needs.
- Documented and tested business continuity plans need to be in place to ensure that the organisation is complying with its own Financial Regulations which place a responsibility on Chief Officers to maintain appropriate business continuity plans.

4.3.2. *Medium priority issues:*

- Arrangements for the Commissioner to receive assurance over the Constabulary's business continuity plans need to be formalised.

4.3.3. *Advisory issues:*

- No advisory issues were identified

Comment from the Chief Finance Officer / Deputy Chief Executive

The OPCC recognises that further work is needed to formally document and consolidate the arrangements for business continuity and this is being given priority over the next few months. Whilst there is a clear need to complete and formally test an OPCC corporate business continuity plan, operational arrangements (off site contact records, remote ICT access, finance service BCP including critical finance activities) are in place to facilitate key activities in the event of a business continuity incident arising during this time.

5. Matters Arising / Agreed Action Plan

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

● **Medium priority**

Audit finding	Management response
<p>(a) Assurance from the Constabulary</p> <p>The Police and Crime Commissioner is accountable under the Police Reform and Social Responsibility Act 2011 for securing an effective and efficient police force for Cumbria. Whilst there are no specific requirements on the Commissioner to receive assurance over the Constabulary's Business Continuity Planning arrangements, good practice would include assurance over this area.</p> <p>At the time of the audit, discussions were underway between the Governance and Business Services Manager, the Engagement and Communications Officer and the Temporary Superintendent (Operations) to determine the best method for implementing this process. We consider that the OPCC should define its assurance requirements in relation to business continuity and then work with the Constabulary to establish how these will be delivered.</p>	<p>Agreed management action:</p> <p>We will define the requirements of the Commissioner to ensure appropriate arrangements are in place.</p> <p>The Engagement and Communications Officer will meet with the Temporary Superintendent Operations to set out our requirements.</p> <p>The outcome will be reported to the Commissioner at the Executive Board in August.</p>
<p>Recommendation 1:</p> <p>The Commissioner's office should set out its business continuity plan assurance requirements from the Chief Constable and work with the Constabulary to ensure there are appropriate arrangements in place for these to be met.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Failure to respond appropriately to a significant business continuity incident. • Reputational damage if business continuity arrangements fail. 	<p>Responsible manager for implementing: Engagement and Communications Officer</p> <p>Date to be implemented: End September 2015</p>

Audit finding	Management response
<p>(b) Arrangements for the preparation of the business continuity plan</p> <p>Effective business continuity management relies on the organisation being clear about its business continuity requirements and establishing appropriate policies and strategies for business continuity. At present the OPCC does not have these in place, resulting in a business continuity plan being created in isolation and without regard for the organisation's requirements. We recommend that the organisation defines its business continuity requirements through a policy and strategy and that the plan is then prepared on this basis.</p> <p>The draft business continuity plan, being prepared at the time of the audit, appears to adopt the model used by the Constabulary. This may not be the most appropriate approach for the Commissioner's office where legislative requirements are less prescriptive and the organisation is much smaller.</p>	<p>Agreed management action:</p> <p>Recommendation 2: We will codify the existing documentation to illustrate the OPCC's approach and will include some elements of recommendation 4 within this document.</p> <p>Recommendation 3: We will define our requirements within the overarching document above.</p>
<p>Recommendation 2: The OPCC's approach to business continuity planning should be defined and a policy and strategy based on this.</p> <p>Recommendation 3 The OPCC's business continuity requirements should be defined by management prior to the plan being prepared.</p>	<p>Responsible manager for implementing: Engagement and Communications Officer</p> <p>Date to be implemented: End July 2015</p>
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Business continuity arrangements are not adequate because the organisation has not defined its requirements. • Business continuity arrangements may be excessive for the size of the organisation without the organisation having defined its requirements. 	

● High priority

Audit finding	Management response
<p>(c) Draft business continuity plan</p> <p>The OPCC's draft business continuity plan evolved during the period the audit took place. There are currently no approved arrangements for preparing the business continuity plan. Roles and responsibilities for preparation of the plan have not been clearly defined and there are no monitoring arrangements in place to ensure that a plan is prepared and implemented on time and to a defined specification. Arrangements for sign off have not been formally documented, although we were informed that the arrangements for approval are sign-off by the Executive Team prior to final approval by the Commissioner.</p> <p>Whilst we recognise that a 'business continuity plan completion and implementation activity timeline' has been prepared we consider that the arrangements for management oversight of the development of the plan(s) should be defined and documented to ensure that plans are developed in line with agreed timescales and organisational requirements.</p>	<p>This will be incorporated within the document detailed in recommendation 2 and will include:</p> <ul style="list-style-type: none"> • A high level project plan with timeline stating what will be delivered and when; • Sign-off and reporting arrangements.
<p>Recommendation 4:</p> <p>Once a policy and strategy and organisational requirements have been defined, we recommend that a project plan is implemented for the development of business continuity plan(s) within the OPCC with clearly defined reporting and sign-off arrangements.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Business continuity arrangements are ineffective because appropriate governance arrangements are not in place. 	<p>Responsible manager for implementing: Engagement and Communications Officer</p> <p>Date to be implemented: End July 2015</p>

5.2 Regulatory - compliance with laws, regulations, policies, procedures and contracts

● High priority

Audit finding	Management response
<p>(d) Compliance with Financial Regulations</p> <p>The OPCC's Financial Regulations place a responsibility on Chief Officers "to ensure that appropriate business continuity plans are developed, implemented and tested on a regular basis". Without business continuity plans in place, the organisation is not complying with its own Financial Procedure Rules.</p>	<p>Completing actions 1 to 4 will address this.</p> <p>The OPCC's Chief Finance Officer has input to the financial services business continuity arrangements which cover part of the overall business continuity arrangements.</p>
<p>Recommendation 5:</p> <p>Arrangements should be introduced to give the OPCC assurance that the requirements of the Financial Regulations in relation to Business Continuity Planning are being complied with.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Non-compliance with internal rules and regulations. 	<p>Responsible manager for implementing: Chief Executive</p> <p>Date to be implemented: End September 2015</p>

Audit Assurance Opinions

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

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

Grading of Audit Recommendations

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

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

Recommendation Follow Up Arrangements:

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

Cumbria Shared Internal Audit Service Internal Audit Report for Cumbria Constabulary



Business Continuity Planning

Draft Report Issued: 27th April 2015

Final Report Issued: 2nd June 2015

Audit Resources

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Lead Auditor(s)	Diane Lowry	Diane.lowry@cumbria.gov.uk	01228 226281

Audit Report Distribution

For Action:	Steve Johnson, Temporary Assistant Chief Constable
For Information:	Michelle Skeer, Deputy Chief Constable
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 23 June 2015, will receive the report.

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

Cumbria Shared Internal Audit Service

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



1. Background

- 1.1. This report summarises the findings from the audit of Business Continuity Planning. This was a planned audit assignment which was undertaken in accordance with the 2014/15 Audit Plan.
- 1.2. Business continuity planning is the process of planning for possibly unexpected, but nevertheless, foreseeable, events. Business continuity planning is important as it provides the constabulary with ways to minimise the effects of unexpected disruptions or emergencies as well as planning a return to normality as soon as practicable.
- 1.3. The Chief Constable is named within the constabulary's Business Continuity Strategy as the senior officer with responsibility for Business Continuity Management. The constabulary has statutory responsibilities for implementing business continuity management arrangements under the Civil Contingencies Act 2004.

2. Audit Approach

2.1. Audit Objectives and Methodology

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

2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Steve Johnson and the agreed scope areas for consideration were identified as follows:
 - Roles and responsibilities for business continuity planning and management;
 - Adequacy and effectiveness of business continuity plans;
 - Arrangements for testing of and training on plans;
 - Ensuring continuity of service when staff roles and responsibilities change or people leave the organisation; and
 - Arrangements for ensuring effective use of technology.

2.2.2. There were instances whereby the audit work undertaken was impaired by the availability of information and this may have had a bearing on the audit findings. The areas affected were:

- We were unable to obtain a copy of the constabulary's business continuity management policy

3. Assurance Opinion

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

3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within the constabulary provide **Partial** assurance.

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

4. Summary of Recommendations, Audit Findings and Report Distribution

4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.

4.2. There are seven audit recommendations arising from this audit review and these can be summarised as follows:

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. Management - achievement of the organisation's strategic objectives (see section 5.1.)	1	2	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2.)	-	1	-
3. Information - reliability and integrity of financial and operational information (see section 5.3)	1	2	-
4. Security - safeguarding of assets	-	-	-
5. Value - effectiveness and efficiency of operations and programmes	-	-	-

Total Number of Recommendations	2	5	0
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4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- Business continuity plans are in place for each directorate
- Plans are prepared using a standard template and are available to staff via Sharepoint
- All plans were owned by a named officer
- Testing of the Communications Centre business continuity plan has been carried out and lessons learned as appropriate

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

4.4.1. *High priority issues:*

- Arrangements should be introduced to provide regular assurance to the Chief Constable that the constabulary has effective business continuity management arrangements in place, and that plans are up to date, tested and staff are trained on them.
- An exercise should be undertaken to prioritise systems and activities to be recovered across the constabulary in the event of a significant business continuity event.

4.4.2. *Medium priority issues:*

- A business continuity policy should be developed to ensure that business continuity arrangements are driven by a corporately agreed stance and approach.
- The business continuity management strategy should be reviewed and approved by senior management.
- Procedures should be introduced to ensure that new legislation and standards are reflected within the arrangements and documentation.
- The constabulary should determine its requirements for testing of business continuity plans and ensure that these tests are carried out and lessons learned as appropriate.
- The constabulary should determine its requirements for review of business continuity plans and ensure that reviews are undertaken in line with agreed frequencies.

Comment from the Deputy Chief Constable

The contents are noted. Going forward the issues will be addressed by Chief Superintendent Steve Johnson in the form of an Action Plan.

5. Matters Arising / Agreed Action Plan

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

● **Medium priority**

Audit finding	Management response
<p>(a) Business Continuity Management Policy</p> <p>We were unable to obtain a copy of the constabulary's business continuity management policy. The existence of a policy is referred to within the BCM Strategy provided to us, however the policy was not provided and does not appear to be published on the constabulary's website. A clear, published policy is a critical component of effective governance of Business Continuity Management and sets the direction for effective business continuity planning in line with the organisation's stated objectives and priorities.</p> <p>Recommendation 1:</p> <p>We recommend that a business continuity management policy is developed and signed off by an appropriate senior management forum. Consideration should be given to including within the policy:</p> <ul style="list-style-type: none"> • The constabulary's commitment to effective business continuity management • The requirement of department heads to consider business continuity requirements for all areas within their control • The scope of the policy (including its application to third party arrangements and contracts) • The review frequency (of the policy) and approval mechanism • Key roles and responsibilities • Linkages with other functions and policies 	<p>Agreed management action:</p> <p>A Business Continuity Planning Policy will be developed.</p>

<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Business continuity arrangements do not align with constabulary aims, priorities and objectives • Business continuity is not seen as a priority without evidenced leadership and commitment • Business continuity arrangements are developed in isolation from other key policies 	<p>Responsible manager for implementing: Chief Superintendent, Territorial Policing Date to be implemented: 11/2015</p>
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● **Medium priority**

Audit finding	Management response
<p>(b) Business Continuity Management Strategy We were provided with a document headed 'Business Continuity Management Strategy' during the course of the audit. It is not clear whether the strategy is part of the constabulary's suite of formal documents as it does not follow the standard format of constabulary reports and does not contain evidence of review or approval by senior management.</p>	<p>Agreed management action: A Business Continuity Management Strategy will be developed in line with the Policy.</p>
<p>Recommendation 2: We recommend that the strategy is reviewed in line with best practice and formally approved by senior management and communicated as appropriate.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Business Continuity arrangements are not in line with organisational requirements • Managers responsible for implementing business continuity arrangements are unclear about the constabulary's approach and priorities in respect of BCM 	<p>Responsible manager for implementing: Chief Superintendent, Territorial Policing Date to be implemented: 11/2015</p>

● **High priority**

Audit finding	Management response
<p>(c) Assurance over Business Continuity Management Arrangements As the senior officer named within the Business Continuity Strategy, the Chief Constable is responsible for ensuring the constabulary has adequate and effective business continuity arrangements in place. We were unable to confirm that there are effective arrangements in place for the Chief Constable to receive assurances over these arrangements. We were provided with a</p>	<p>Agreed management action: Business continuity management arrangements will be reviewed 6 monthly at Operations Board. Operations Board will report to Chief Officers'</p>

<p>spreadsheet that lists all the plans in place, however this does not currently contain details that would assist in providing assurance that the plans are up to date, regularly reviewed, communicated and tested.</p>	<p>Group.</p>
<p>Recommendation 3: We recommend that a mechanism is established to provide assurance to the Chief Constable that all business continuity plans have been prepared, are in line with organisational requirements and the approved business continuity policy and strategy, and are updated in line with the organisations agreed timescales.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Business Continuity arrangements are not adequate and effective • Chief Constable is unable to provide assurance to the Police and Crime Commissioner that the constabulary has effective business continuity arrangements in place. 	<p>Responsible manager for implementing: Assistant Chief Constable (Operations)</p> <p>Date to be implemented: 11/2015</p>

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

• **Medium priority**

Audit finding	Management response
<p>(a) Identification of relevant legislation Whilst there is a nominated officer with responsibility for identifying relevant legislation and good practice with regard to business continuity management, we identified that this is not yet reflected through into the constabulary's business continuity arrangements. The standard business continuity plan template refers to BS 25999-1. The British Standard was withdrawn in 2012 (part 1) and 2013 (part 2) and replaced by international standards ISO22301 and ISO22313.</p>	<p>Agreed management action: Checks will be made to ensure that legislation is up to date when Policy is updated.</p>
<p>Recommendation 4: We recommend that arrangements are introduced to ensure that emerging legislation and best practice is reflected in the constabulary's arrangements. The current plan template should be updated to refer to the current Standards for BCM.</p>	

<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> Business Continuity arrangements do not conform to legislative requirements or best practice 	<p>Responsible manager for implementing: Chief Superintendent, Territorial Policing</p> <p>Date to be implemented: 11/2015</p>
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5.3. Information - reliability and integrity of financial and operational information.

● **High priority**

Audit finding	Management response
<p>(a) Identification of critical activities and functions</p> <p>Business Continuity Plans are prepared at directorate level. Whilst the critical activities have been identified for each directorate, these have not yet been assessed against one another to determine the respective priorities in the event of a business continuity incident across the constabulary.</p> <p>Recommendation 5:</p> <p>We recommend that a corporate review of critical activities and functions is undertaken to ensure that these are priorities across the constabulary. ACPO guidance has suggested 13 critical activities for police forces which may be a useful reference for this work.</p>	<p>Agreed management action:</p> <p>Critical activities will be reviewed as part of the Policy review.</p>
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> Critical activities are not restored to an acceptable level as resources are being utilised on less critical areas. Resources are not deployed effectively in the event of a business continuity incident 	<p>Responsible manager for implementing: Chief Superintendent, Territorial Policing</p> <p>Date to be implemented: 05/2016</p>

● **Medium priority**

Audit finding	Management response
<p>(b) Testing of Business Continuity Plans</p> <p>We were advised that there is currently no overarching testing plan for business continuity arrangements.</p>	<p>Agreed management action:</p> <p>Testing and training regimen will be part of the Policy.</p>

<p>Recommendation 6: We recommend that the constabulary determines what its requirements are for testing of business continuity arrangements in order to ensure that they work effectively and to support the assurances given to the Chief Constable over the robustness of the arrangements.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> Business continuity arrangements are not effective in the event of a business continuity incident. 	<p>Responsible manager for implementing: Chief Superintendent, Territorial Policing Date to be implemented: 11/2015</p>

● **Medium priority**

Audit finding	Management response
<p>(c) Review and update of Business Continuity Plans From a sample of business continuity plans, we were able to confirm that these follow the standard corporate template and all were dated and marked with a version number. We did note that the plans do not contain the date of next review and there are differences of several years in the dates of last review ranging from 2009 to 2015. It was not clear from the documentation available whether the constabulary has determined how frequently business continuity plans need to be reviewed so we have been unable to confirm whether there has been compliance with organisational requirements in this regard.</p> <p>We note that the Central Administration department issues reminders to managers to update their plans, however there does not appear to be a follow up if this doesn't happen.</p>	<p>Agreed management action: Policy will dictate how often it is to be reviewed and by whom.</p>
<p>Recommendation 7: We recommend that consideration is given to the frequency that the constabulary expects business continuity plans to be reviewed and that this is documented and communicated to all plan owners. Consideration should also be given to amending the template to incorporate the date of next review.</p>	

Risk exposure if not addressed:

- Business Continuity Plans become out of date and do not reflect the arrangements in place resulting in ineffective use of resources or inability to recover to an acceptable level in the event of a business continuity incident.

Responsible manager for implementing:

Chief Superintendent, Territorial Policing

Date to be implemented:

11/2015

Audit Assurance Opinions

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

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

Grading of Audit Recommendations

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

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

Recommendation Follow Up Arrangements:

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

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<p>JOINT POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUD AND STANDARDS COMMITTEE</p>	<p>Paper No.</p>
<p>Meeting date: 23 June 2015</p>	
<p>From: Audit Manager (Cumbria Shared Internal Audit Service)</p>	

INTERNAL AUDIT: PROGRESS REPORT TO 31 MAY 2015

1.0 EXECUTIVE SUMMARY

1.1 *This report provides a review of the work of Internal Audit for the two months up to 31 May 2015.*

1.2 *Key points are:*

- *Work on the plan is progressing as planned. Audits of the 2014/15 annual governance statements for the OPCC and Constabulary are complete. Five audits 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 2015/16 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 two months of 2015/16. It reports progress on the delivery of the 2015/16 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 May 2015

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2015/16 audit plan. Further detail on this is included at Appendix 2.

Audit plan year	Audit Status	Number of reviews
2015/16	<u>Audits completed:</u>	<u>2</u>
	Risk based audits	0
	Governance work	2
	<u>Audits in progress:</u>	<u>5</u>

	Risk based audits	5
	<u>Audits to be started</u>	<u>13</u>
	Risk based audits	10
	Financial systems	2
	Follow up	1
	<u>Audits in plan</u>	<u>20</u>

Outcomes from Final Audit Reports to 31 May

3.8 Internal Audit reviewed the 2014/15 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 31 May

3.10 There are no reports at draft stage at 31 May.

Emma Toyne
Audit Manager
 4th June 2015

APPENDICES

Appendix 1: Final reports issued to 31 May 2015

Appendix 2: Progress on all risk based audits from the 2015/16 plan

Appendix 3: Internal audit performance measures to 31 May 2015

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

Appendix 1 – Final reports issued to 31 May 2015

Assignments	Main Points	Assessment	Current Status
Annual report 14/15	Presented to Audit and Standards Committee 6 May 2015.	N/A	Complete
Annual Governance Statement 14/15 – PCC	Presented to Audit and Standards Committee 6 May 2015.	N/A	Complete
Annual Governance Statement 14/15 - Constabulary	Presented to Audit and Standards Committee 6 May 2015.	N/A	Complete

Appendix 2 – Progress on 2015/16 Audit Plan

PCC / Constabulary Review	Audit	Stage	Feedback form returned
Constabulary	ICT strategy	Not yet started	n/a
Constabulary	Complaints handling	Not yet started	n/a
OPCC	Complaints handling	Not yet started	n/a
Constabulary	Cumbria Safeguarding Hub	Initial scoping discussions held, scope yet to be finalised.	n/a
Constabulary	Mobile devices (project management)	Audit scoped. Fieldwork to commence in July.	n/a
Constabulary	Data protection and Freedom of Information Act	Not yet started	n/a
OPCC	Data protection and Freedom of Information Act	Not yet started	n/a
Constabulary	Performance monitoring and reporting, including data quality	Audit scoped and client notification issued. Fieldwork underway.	n/a
Constabulary	Safeguarding assets	Audit scoped. Fieldwork to commence in July.	n/a
Constabulary	Budget management (payroll)	Audit scoped and client notification issued. Fieldwork underway.	n/a

Appendix 2 – Progress on 2015/16 Audit Plan

PCC / Constabulary Review	Audit	Stage	Feedback form returned
Constabulary	Duty Management System	Audit scoped and client notification issued. Fieldwork underway.	n/a
Constabulary	Code of ethics / organisational values	Not yet started	n/a
Constabulary	Firearms and tasers	Not yet started	n/a
Constabulary	Governance (procurement & commissioning)	Not yet started	n/a
OPCC	Governance (procurement & commissioning)	Not yet started	n/a
OPCC & Constabulary	Financial system review - Pensions	Not yet started	n/a
OPCC & Constabulary	Financial system review - Creditors	Not yet started	n/a
Constabulary	Follow up – property handling	Not yet started	n/a
Constabulary	Annual Governance Statement 2014/15	Complete	n/a
OPCC	Annual Governance Statement 2014/15	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)	9%	The plan is progressing as intended.
	Number of planned days delivered	232	20	Planned days delivered is on track. Audits scheduled for quarters 1 and 2 are scoped with work on quarter 1 audits underway.
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	100%	
Timeliness of final reports	% of final reports issued for corporate director comments within five working days of management response or closeout meeting.	90%	100%	
Recommendations agreed	% of recommendations accepted by management	95%	N/A	
Assignment	% of individual reviews completed to	75%	100%	

Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
completion	required standard within target days or prior approval of extension by audit manager.			
Quality assurance checks completed	% of QA checks completed	100%	100%	
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%	77%	

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Office of the Police & Crime Commissioner Report

Title: Ethics & Integrity Panel Report

Date: 3 June 2015

Agenda Item No: 12

Originating Officer: Joanne Head

CC:

Executive Summary:

The Police & Crime Commissioner and the Chief Constable both wish to ensure high standards of integrity and ethical working within their respective organizations. In order to achieve that objective and provide openness and accountability to the public they established the Ethics & Integrity Panel. This report provides an overview of the establishment of the panel and the work that it has carried out since its first meeting in March 2015. In future years, it will be an annual report describing the work carried out during the year.

Recommendation:

That, the Police & Crime Commissioner notes the Ethics and Integrity Panel report.

1. Introduction & Background

- 1.1 The purpose of the Ethics and Integrity Panel is to promote and influence high standards of professional ethics in all aspects of policing and to challenge; encourage and support the Commissioner and the Chief Constable in their work in monitoring and dealing with issues of ethics and integrity in their organizations. The Panel considers questions of ethics and integrity within both organisations and provides strategic advice and support in relation to such issues.
- 1.2 To assist the Commissioner in his task of holding the Chief Constable to account for the policing services that are provided, the Panel has looked at areas of performance, provided advice and acted as a 'critical friend', with the aim of achieving consistency in the process of making decisions. The Panel's role is to identify issues and monitor change where required. The Panel has no decision making powers, although it is able to make recommendations to the Commissioner and the Chief Constable.
- 1.3 In October 2014 the Commissioner and Chief Constable commenced the recruitment process for members of the Panel. The process was widely advertised across the county.

Interviews were held in January 2015 and four panel members were appointed to sit on the panel for a term of 2 years, they are:

- Mr Paul Forster (Chair)
- Ms Lesley Horton
- Mr Peter McCall
- Mr Alan Rankin

- 1.4 Following their appointment, the members had an induction day on 24 February 2015. The purpose of the day was to provide them with relevant information to assist in the performance of their duties and to give an insight into the systems and processes of the Constabulary and OPCC in relation to the areas of business they will be monitoring. An information folder was provided to assist them in their future work.
- 1.5 The Panel meets in private but its agenda and reports are published on the Commissioner's website following each meeting, with only sensitive or confidential information being excluded. Reports are provided by the Commissioner to the Executive Board to provide information about the Constabulary's performance in areas which relate to ethics and integrity. The purpose is to promote public confidence.
- 1.6 The Panel will meet on a quarterly basis. An annual work programme has been devised and agreed to enable it to fulfil its terms of reference and scrutiny role. The annual work programme fixes the tasks to be undertaken by the Panel at each of its scheduled meetings and has been set to ensure whenever possible that meetings are balanced in terms of the volume of work. A copy of the Panel's work programme can be found at [Appendix 1](#).
- 1.7 The Panel has met on two occasions, on 13 March 2015 and 11 May 2015. At these meetings the Panel considered a number of reports in line with the annual work programme and undertook dip sampling of public complaint files on each occasion. Details of the expenses incurred by the Commissioner have not yet been considered, although registers regarding the acceptance of hospitality by the Commissioner and the Chief Constable have been provided to the Panel.

2. Issues Considered by the Panel

- 2.1 Detailed below are the areas of business which the panel have considered at their two panel meetings.

Dip Sample of Public Complaint Files

- 2.2 The Panel visited the Professional Standards Department and undertook dip samples of public complaint files finalised between September 2014 and March 2015. The Panel was given anonymised lists from which it selected files at random that it wished to review. In all, the Panel looked at 29 files.
- 2.3 The Panel asked questions about the complaint handling process; force policies; the management of officer performance; the approach taken to members of the public who

make frequent complaints and the proactive work carried out by the Professional Standards Department. For each of the files reviewed, the Panel members provided feedback on how they felt that the complaint had been dealt with and where appropriate provided advice on specific areas which could be dealt with differently in the future to improve the service provided to the complainant and the person being complained about.

- 2.4 The Panel noted that the information given to complainants in the 28 day update letter was sometimes limited. The impression was that the letter had been written merely to comply with statutory obligations rather than because of a genuine desire to bring the complainant up to date. The Panel suggested that the Department should think about what the complainant wants to know and about how to phrase letters to provide confidence in the complaints process.
- 2.5 When dealing with complex matters or detailed sets of facts and in sensitive cases, it would be good practice for letters to be reviewed by another officer before being sent to the complainant. That should avoid errors and misunderstandings.
- 2.6 The Panel noted that there was some variation in the techniques used by the investigating officers. DCI Duhig, head of the Professional Standards Department, told the Panel that, where possible, care was taken to assign to a particular case an officer with appropriate knowledge and experience. The Panel suggested that when informing a complainant about the outcome of a complaint consideration should be given, in appropriate cases, to holding a face to face meeting in addition to the written notice.
- 2.7 In the experience of the Panel, often, all a complainant wants is an apology. When an apology is appropriate, care should be taken about how it is expressed. An apology that appears to be given as a matter of course without genuine intent can cause offence and undermine the complaint process. The Panel observed that on occasion it was not clear in the final response letter who was giving the apology, the organisation or the officer concerned. That can make a difference to the complainant. If an apology is given then it should be for the right reason.
- 2.8 During the review carried out on 11 May 2015, the Panel noted that a number of the complaints related to the speed of the initial response, the priority given to the incident reported and the time given to the subsequent investigation. The resources that were given to dealing with particular matters was an issue for the complainants. The Panel identified this as a theme of the complaints and anticipates that the issue may become more prominent because of the publicity about proposed changes to the organisation of the Force. The public's perception of what is happening is influenced by media reports of financial restraints.
- 2.9 How difficult decisions are made and how they are implemented can give rise to ethical issues and concerns about the integrity of the decision making process. The Panel has no function in making decisions but it is available to the Commissioner and the Chief Constable to provide assistance and guidance when requested.

- 2.10 The Panel has been impressed by the thorough and professional approach taken by the Professional Standards Department to the complaints that it looked at, treating them seriously and devoting considerable time and resources to each one. In particular, “local resolution” was a proportionate way of dealing with those complaints that were less serious. A genuine effort was made to regain the confidence of the complainant.
- 2.11 For the most part, decisions appeared to be taken objectively and fairly and the files sampled had been dealt with within the set timescales.

Complaints from the Public

- 2.12 At both of the Panel meetings the Constabulary presented reports regarding public complaints which had been received and processed during the two reporting periods, from September to 31 March 2015 inclusive.
- 2.13 Compared with other similar forces, Cumbria has one of the lowest rates of complaints. It was reported to the Panel that in the rolling 12 month period up to December 2014 the Constabulary received 318 cases (which included 554 allegations) compared to 315 cases and 416 allegations in same 12 month rolling period in 2013 resulting in a 1% and 33% increase respectively. The figures for 2015 on a rolling basis up to the end of March 2015 saw 308 cases with 522 allegations.
- 2.14 The Panel was informed that during the reporting period 1 September to 31 December 2014, the Constabulary received 46 Force Appeals, 28 were not upheld, 8 were upheld, 1 was withdrawn and 9 are still live. The IPCC received 19 appeals, 15 were not upheld, and 4 were upheld. Those figures compared well with national data and the number of IPCC appeals upheld was considerably lower than national data.
- 2.15 It was reported to the Panel that in the 12 month rolling period to March 2014 and March 2015 the number of IPCC appeals have reduced by 23% (31 to 24) and the number of force appeals has remained at similar levels (39 to 40). However the percentage of upheld appeals for both Force and IPCC appeals has reduced in this reporting period compared to the previous 12 months: upheld Force Appeals have reduced from 18% to 15% (7 of 39 compared to 6 of 40) and upheld IPCC Appeals have reduced from 39% to 29% (12 of 31 compared to 7 of 24).
- 2.16 The Panel was told that the performance targets for Investigations and Local resolutions have been set at 89.90% of local resolution allegations to be dealt with in 40 days and 94.70% of investigations to be dealt with in 120 days: the average number of days to locally resolve allegations – Cumbria 41, Most Similar Force (MSF) average 53 and National average 66; the average number of days to finalise allegations by local investigation – Cumbria 105, MSF average 118 and National average 141 and in Cumbria is the 5th best in the country for average number of days to locally resolve allegations and also 5th best for average number of days to finalise allegations by local investigation.

- 2.17 The Panel was impressed by the amount of data included in the report. There are obviously systems in place to collect and collate information and to look for trends and potential issues. Complaints are a valuable source of information that can be used to reduce risk and increase overall confidence in the police.
- 2.18 Although the Panel has only had the opportunity to review the statistics for the most recent periods, the general picture is good and shows that Cumbria is performing well. As important as the figures are about the number of complaints and their outcomes it is also vital to keep in mind how complaints are dealt with and the public's perception of the independence of the process.
- 2.19 The Panel asked who the reports were being written for and about their intended purpose. A lot of data is provided but sometimes its significance is lost behind the numbers. The Panel felt that the report relating to the public complaints could have been expressed in clearer terms so that it was more accessible for general readers. The Panel was struck by the fact that most of the complaints that it looked at were of a lower level. All complaints are very important for the people who make them. Any complaint has the potential to damage the integrity of the force. As previously stated, the Professional Standards Department adopts a professional approach to each case. The numbers alone can give the impression that all the complaints received are about very serious matters. The nature of police work is likely to bring officers into conflict with the public and complaints are to be expected. The Panel, which has come new to these matters, was reassured by the way in which complaints are handled.
- 2.20 The reports are obviously written by the Constabulary for the Commissioner and now also for the Ethics & Integrity Panel. They are intended to raise questions and invite scrutiny. The reports also have a wider audience because they are published by the Commissioner. The intention is to be open and transparent and putting issues into context and providing some additional commentary promotes informed debate.

Integrity

- 2.21 The Anti-Corruption Unit is part of the Professional Standards Department and is responsible for the prevention and investigation of any illegal, unethical, or unprofessional behaviour of all officers and police staff. The Deputy Chief Constable presented reports detailing the work in the period September 2014 to March 2015. The Panel was told about how the Unit carries out its duties; the sources of information that it relies on and what is done with that intelligence.
- 2.22 The Panel asked about the work done to prevent breaches of acceptable behaviour. The Professional Standards Department holds educational and preventative 'roadshows'. By engaging with officers and staff and by producing the PASS newsletter it draws the attention of officers and staff to particular areas where there have been breaches and it offers advice and guidance to prevent them happening again.
- 2.23 The number of issues reported during the period considered by the Panel was fairly stable overall. The Panel saw the fact that a significant number of reports were self-referrals from

officers was an indicator of awareness within the Constabulary of integrity issues and the importance of acting in an ethical way. The Panel was informed that the timing of those self-referrals seemed to coincide with the publication of PASS. That is an indication of the effectiveness of efforts made to highlight potential issues and avoid incidents.

- 2.24 The Panel took note of the number of officers who had been dismissed or who are currently suspended from duty. The number looked relatively high in terms of the overall number of officers. The Deputy Chief Constable explained that each case was considered carefully and a decision made based on the severity of the issues and an assessment of the risks if the officer was to remain on duty. Police work is rather different from other types of employment. She re-iterated that suspension was a neutral act and did not imply guilt. There are no published figures for other forces to compare Cumbria against. The number of suspensions did not give the Panel cause for undue concern

Grievances

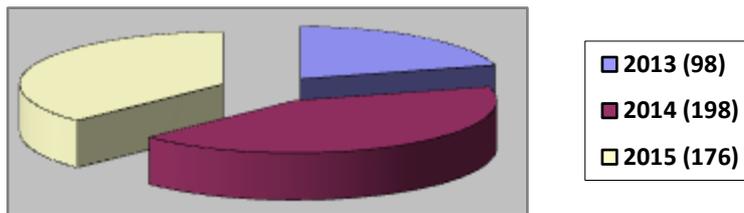
- 2.25 At their initial meeting the Panel considered a report providing information about grievances lodged by officers and police staff up to 20 January 2015. The report included a summary of the past 3 financial years to aid comparison. Three grievances had been lodged and dealt with within the 2014/2015 financial year. That showed a significant reduction compared to the previous 3 years figures, these being: 18 (2011/12), 16 (2012/13) and 10 (2013/14).
- 2.26 Work is being carried out by the Constabulary to develop the information to be provided to the Panel in relation to the nature of the grievances and how they were resolved. The Constabulary are looking at developing the report for future meetings from August onwards.

The Constabulary currently has a high number of temporary or acting posts. The Deputy Chief Constable explained that was due to the need to wait for the outcome of reviews currently taking place about the future structure and management of the force.

OPCC Complaints and Quality of Service

- 2.27 The Office of the Police and Crime Commissioner (OPCC) receives complaints from members of the public about police officers, police staff and about the standard of service received. Many of the complaints have to be referred to Cumbria Police because the Police & Crime Commissioner (the Commissioner) only has statutory authority to deal with complaints about the Chief Constable.
- 2.28 The Panel was informed that in 2013 the OPCC received 29 complaints of which 66% were passed to the Constabulary to deal with. That can be compared to 2014 when 13 complaints were received and 62% were transferred. Of the rest, most were from members of the public who had been through the complaints process with the Constabulary and were seeking an alternative route for their complaint. Where appropriate, the OPCC signposted the complainant to the appropriate appeals process or advised them of the Commissioner's role and powers.

- 2.29 The Panel was told that members of the public write to the Commissioner about a wide range of issues relating to policing but which do not constitute a complaint. The correspondence is assessed and the most appropriate way to deal with the matter is then progressed. The Panel was presented with the chart below that illustrates the number of quality of service issues which the Commissioner has received and dealt with in the years 2013, 2014 and in 2015 up to 31 March 2015. The nature of the issues vary with the most common being about, driving issues, policing service (either provided or received) and clarification of a policing situation.



Civil Claims

- 2.30 The Panel is to be given a report every six months about active and closed public liability claims; employer liability claims and Employment Tribunal applications and judicial review cases.
- 2.31 At the meeting on 11 May 2015, the Panel received a report about the types of claims being made, the stage the proceedings had reached and about claims that had been resolved. The Panel was interested to know what the Constabulary was doing to identify potential claims and to learn from particular cases and to disseminate information throughout the constabulary to avoid risks in the future.

FOI Compliance

- 2.32 As public authorities, the Office of the Police and Crime Commissioner and Cumbria Constabulary are required to comply with the Freedom of Information Act 2000. At the meeting on 11 May 2015, a report was presented to the Panel about such matters.
- 2.33 The Constabulary and OPCC are required to answer requests for information within 20 working days. Time runs from the day after the day the request is received. The Panel was informed that in 2014 the Force received 907 requests of which 58% (526) were dealt with within 20 days compared to 2013 when 807 requests were received of which 43% were dealt with within 20 days. It was not clear what the average number of days was to fulfil a FOI request. That information was not to hand. In 2014 the OPCC received 39 requests of which 87% (34) were dealt with within 20 days compared to 2013 when 79% (63) of requests were dealt with in 20 days of the 80 received.

- 2.34 The time limit imposed on the Constabulary is very tight and can be difficult to comply with due to the volume and nature of requests received. To meet the target of 20 days, decisions have to be made about the resources to be given to the many competing demands on the Force.

3. Conclusion

- 3.1 Overall, the Panel has been impressed by the professionalism displayed in dealing with, in particular, public complaints. The Panel has yet to review any investigation files in respect of anti-corruption files, but it is intended that will be undertaken at the next Panel meeting.
- 3.2 During the next 12 months the Panel will continue to perform its duties in line with the annual work programme. Quarterly reports will be provided to the Police and Crime Commissioner detailing the work undertaken to provide him with assurance.
- 3.3 The Panel has only been in place for a little more than three months. During the coming year its role will develop and in all that it does it will seek to promote high standards of integrity and ethical working. As well as monitoring and reporting on the activities of both the Constabulary and the Commissioner's office, the Panel is a resource available to them to be used to aid and support them in establishing processes for good decision making.

4. Supplementary information

Ethics & Integrity Panel website page -

<http://www.cumbria-pcc.gov.uk/governance-transparency/ethics-integrity-panel.aspx>

Ethics Panel Annual Work Programme

1 Purpose of the Annual Work Programme

An annual work programme has been developed to enable the panel to fulfil its terms of reference and scrutiny role.

The annual work programme aligns the work to be undertaken by the panel at each of their scheduled meetings. The alignment is managed to ensure wherever possible meetings are balanced in terms of volume of work and annual reviews are incorporated at the correct time of year.

In addition to the cyclical information to be reviewed and considered, the panel could be asked to review additional areas of work. These would include:

- Critical Incidents
- HMIC Inspections
- Serious Case Reviews
- Thematic areas of Performance
- Public Concerns

How such reviews were undertaken would need to be agreed, ensuring that the panels work did not interfere with any ongoing or appeal processes. The findings of the panel would be reported to the Police and Crime Commissioner and the Chief Constable.

The panel will be required to provide an annual report to the Police and Crime Commissioner and the Chief Constable on the work they have carried out during the year and what issues and learning have been identified.

Ethics & Integrity Panel Annual Work Programme 2015

March 2015 (February)	May 2015	August 2015	November 2015
<p>PUBLIC COMPLAINT FILES: Dip sample finalised public complaint files held by the Constabulary. Where appropriate live cases may also be reviewed.</p> <p>PUBLIC COMPLAINTS PERFORMANCE DATA: To receive reports containing data on how the Constabulary have met their statutory requirements.</p> <p>ANTI-FRAUD & CORRUPTION UNIT REPORT: To receive a report on the cases being dealt with t by the Anti-Fraud & Corruption Unit.</p> <p>GRIEVANCES: To receive a report on Grievances against the Constabulary identifying any trends or issues.</p>	<p>PUBLIC COMPLAINT FILES: Dip sample finalised public complaint files held by the Constabulary. Where appropriate live cases may also be reviewed.</p> <p>PUBLIC COMPLAINTS PERFORMANCE DATA: To receive reports containing data on how the Constabulary have met their statutory requirements.</p> <p>ANTI-FRAUD & CORRUPTION UNIT REPORT: To receive a report on the cases being dealt with t by the Anti-Fraud & Corruption Unit.</p> <p>GRIEVANCES: To receive a report on Grievances against the Constabulary identifying any trends or issues.</p>	<p>PUBLIC COMPLAINT FILES: Dip sample finalised public complaint files held by the Constabulary. Where appropriate live cases may also be reviewed.</p> <p>PUBLIC COMPLAINTS PERFORMANCE DATA: To receive reports containing data on how the Constabulary have met their statutory requirements.</p> <p>ANTI-FRAUD & CORRUPTION UNIT REPORT: To receive a report on the cases being dealt with t by the Anti-Fraud & Corruption Unit.</p> <p>GRIEVANCES: To receive a report on Grievances against the Constabulary identifying any trends or issues.</p>	<p>PUBLIC COMPLAINT FILES: Dip sample finalised public complaint files held by the Constabulary. Where appropriate live cases may also be reviewed.</p> <p>PUBLIC COMPLAINTS PERFORMANCE DATA: To receive reports containing data on how the Constabulary have met their statutory requirements.</p> <p>ANTI-FRAUD & CORRUPTION UNIT REPORT: To receive a report on the cases being dealt with t by the Anti-Fraud & Corruption Unit.</p> <p>GRIEVANCES: To receive a report on Grievances against the Constabulary identifying any trends or issues.</p>
<p>MISCONDUCT – OFFICER & STAFF DISCIPLINE: To receive reports on officer and staff discipline and dip sample cases reviewing the initial assessment and outcome to confirm consistency/fairness in approach to misconduct cases.</p> <p><u>From February 2016</u> CONSTABULARY/OPCC COMPLIANCE WITH REGISTERS:</p> <ul style="list-style-type: none"> ▪ Gifts and Hospitality Register ▪ Cross reference above with PCC & Chief Constable Expenses ▪ Register of interests ▪ Secondary employment ▪ Procurement/Contracts - cross reference staff's register of interests and gifts and hospitality entries. 	<p>CIVIL CLAIMS: To receive a report on Civil Claims to monitor any trends/issues and how learning/training has been implemented.</p> <p>FOI COMPLIANCE: To receive a report on the Constabulary and OPCC's compliance with statutory legislation</p> <p>OPCC COMPLAINTS & QSPI: To receive a report on complaints and quality of service issues received by the OPCC.</p> <p>ANNUAL REPORT: To consider the annual report to be provided to the Commissioner on the work carried out by the Panel.</p>	<p>MISCONDUCT – OFFICER & STAFF DISCIPLINE: To receive reports on officer and staff discipline and dip sample cases reviewing the initial assessment and outcome to confirm consistency/fairness in approach to misconduct cases.</p> <p>CODE OF ETHICS/CODE OF CONDUCT: To annually review Constabulary compliance and implementation of the Code of Ethics; and Police & Crime Commissioner and OPCC compliance with the Code of Conduct.</p> <p>REVIEW OF POLICIES AND PROCEDURES: Where appropriate be consulted on new/developing policies and procedures regarding integrity and ethics following any annual review. To give assurance that up to date policies and procedures are in place.</p>	<p>CIVIL CLAIMS: To receive a report on Civil Claims to monitor any trends/issues and how learning/training has been implemented.</p> <p>FOI COMPLIANCE: To receive a report on the Constabulary and OPCC's compliance with statutory legislation</p> <p>OPCC COMPLAINTS & QSPI: To receive a report on complaints and quality of service issues received by the OPCC.</p>

In addition the following will be considered when required:

- **Critical incidents** a referral could be made to the committee from COG, PCC, Gold Group or the panel could ask for the information. The panel could hold the CC / PCC for non-referral of cases. Terms of reference for each review would need to be agreed by the PCC. Learning points for the force would then be made from the panel.
- **Thematic areas of performance** - concerns re areas of performance could be referred by the CC/PCC following identification at performance meetings (eg crime recording).
- **HMIC Inspections / Internal Audit Reports** - where the inspection or audit was in relation to Ethics the whole report and monitoring of actions could be undertaken by the committee. Agreement with the Chair of the Joint Audit & Standards Committee would need to be formulated with regard to the monitoring of audit reports. For other inspections information could be provided if relevant.
- **Serious Case Reviews** - incidents/cases where it is apparent that the Constabulary will be subject to a serious case review. A review could be undertaken when the case is finalized or as part of the process
- **Public Concerns** – where issues or concerns are raised by the public to the Police & Crime Commissioner or the Chief Constable regarding a particular incident or area of work the panel can be asked to undertake a review. Following which they would present their findings to the Commissioner/Chief Constable and where necessary the outcome of their findings could be published to provide public assurance.

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Joint Audit & Standards Committee

Title: OPCC Risk Management Monitoring

Date: 23 June 2015

Agenda Item No: 13 (i)

Originating Officer: Joanne Head

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 note the changes regarding the OPCC's strategic risk register and the oversight undertaken of the Constabulary's risk management.

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 In March 2015 the OPCC held a Risk Management Training session for all OPCC staff which was provided by a Chartered Institute of Public Finance & Accountancy (CIPFA) approved trainer. The purpose of the session was to ensure that all staff had a baseline level of knowledge of identifying and managing strategic and operational risks; understanding the different stages of risk management; risk profiles and risk appetite/tolerance; and discussion on how the OPCC's risk register is constructed.

- 2.2 Following this training, and the recommendations contained within the recent internal audit report, the Executive Team have arranged for the same CIPFA trainer to facilitate a session on 15 June 2015. This session will look at amongst other things strategic risk identification, scoring and risk appetite agreement, rationalising the current registers and scoring of risks. This will then inform the development of an updated strategic risk register.
- 2.3 The OPCC's current strategic risk register is being presented to the committee today as it has not been possible to implement the changes to meet the timescales of documents being required for the meeting. Work is being carried out on the development of a new strategic risk register and it is anticipated that this will be completed in the autumn.
- 2.4 The risks in the current strategic risk register have been reviewed and any changes which have been made to the strategic register are highlighted to enable the committee to easily identify them.
- 2.5 The committee members will note that Risk R1 – Governance / Internal Control has now been moved to the OPCC's operational risk register. The reasons for this are that it is some time since we implemented the actions following the South Wales Investigation report and recent audit of our integrity and anti-fraud arrangements have given substantial assurance. Financial governance and internal control has also been robust for some time. It has been moved to the operational risk register to ensure continual risk management consideration.
- 2.6 The Governance and Business Services Manager met with the Constabulary's lead for Risk Management, the Director of Corporate Improvement Ms Jane Sauntson, on 29 May 2015. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.
- 2.7 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.
- 2.8 The discussions included the forthcoming emergency budget to be held in July by the new Government and what effect this would have on policing budgets; the project for the replacement of Airwaves; and PCC elections in May 2016 with the potential for a new commissioner to be elected.

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.



CUMBRIA POLICE AND CRIME COMMISSIONER

STRATEGIC RISK REGISTER

DATE: June 2015

VERSION CONTROL NO: 02/2015

Risk Mitigation Strategies:

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

Risk Score:	Impact	Likelihood	
5	Very High	Very High	> 90% probability
4	High	High	65% > 90% probability
3	Medium	Medium	20% > 65% probability
2	Low	Low	5% > 20% probability
1	Very Low	Very Low	< 5% probability

Risk No.	Risk Description	Unmitigated Score			Mitigated Score			Risk Owner		Frequency of Assessment & Proposed Cycle	Date of Next Review
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Risk Owner	Action Owner		
R1	Governance / Internal Control	5	4	20	4	2	8	Chief Executive	Chief Finance Officer	Annual	March 2016
R2	Strategic Finance	4	5	20	3	3	9	Chief Executive	Chief Finance Officer	Annual	March 2016
R3	Reputation	4	3	12	3	2	6	Chief Executive	Head of Comms & Business Services	Annual	March 2016
R4	Priorities and Objectives	4	3	12	4	2	8	Chief Executive	Head of Partnerships & Commissioning	Annual	March 2016
R5	Consultation / Engagement	4	3	12	4	2	8	Chief Executive	Head of Comms & Business Services	Annual	March 2016

Scores

15 - 25	Quarterly Reviews
10 - 14	Half Yearly Reviews
9 or less	Annual Reviews

CUMBRIA POLICE AND CRIME COMMISSIONER STRATEGIC RISK REGISTER

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Risk Description	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions						
	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date		
R1 - Governance/Internal Control - moved to operational risk register														

CUMBRIA POLICE AND CRIME COMMISSIONER STRATEGIC RISK REGISTER

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	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Actions Already Taken to Mitigate the Risk	Further Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date
R2 - Strategic Finance												
Failure to deliver a robust balanced medium term budget that provides sufficient resources for the Constabulary to deliver an effective policing service. High levels of funding uncertainty are impacting on this risk from 2016/17 including police formula funding review (£16m risk), new CSR (£17m risk).	4	5	20	3	3	9	Chief Executive (Reduce)	Reserves are being held at a higher level than would otherwise be the case. The change programme reviews are seeking to implement a scalable model of policing and develop options for cost reductions beyond the currently balanced 4 year MTFS.	Consideration is being given by the PCC/CC on how to engage the police and crime panel/ wider stakeholders in the debate on council tax increases to protect income.	Balances and reserves will provide some short term mitigation. A force merger or referendum to deliver a stepped change in cost or income would be necessary should the risk fully materialise.	Chief Finance Oficer	May 16

CUMBRIA POLICE AND CRIME COMMISSIONER STRATEGIC RISK REGISTER

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	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	Review Date
R4 - Reputation												
Failure to deal with conduct issues promptly, fairly and transparently could lead to a loss in confidence in systems and processes or public confidence.	4	3	12	3	2	6	Chief Executive (Avoid)	The PCC has adopted a code of conduct and ethical framework; independent audit and standards committee; membership of cumbria and lancashire standards group.		Review conduct issue and take corrective action. Communications and media support where the issue is public/reputational. Legal advice where appropriate.	Head of Communication and Business Services	Mar-16
Failure to robustly deal with an incident that significantly damages the reputation or public perception of the OPCC and the Commissioner.	4	2	8	3	2	6	Chief Executive (Avoid)	The office of public engagement has an approved strategy. Reputational issues are discussed at weekly joint OPCC / Constabulary Comms Management meetings. Where necessary the OPCC will develop individual strategies to cover specific reputational issues.		Establish as soon as possible a Strategic Working Group with the Commissioner or Chief Executive as the lead. Challenge any misinformation or inaccuracies and be pro-active in getting information across in as many different forms as possible.	Head of Communication and Business Services	Mar-16
Failure to scrutinise the Constabulary significantly that results in the Constabulary suffering damage to its reputation	4	2	8	3	2	6	Chief Executive (Avoid)	The office of public engagement has an approved strategy. Reputational issues are discussed at weekly joint OPCC / Constabulary Comms Management meetings		Strategic Working Group to be established with clear corporate objectives led by the Commissioner or Chief Executive. To be supported by a pro-action media strategy.	Head of Communication and Business Services	Mar-16

CUMBRIA POLICE AND CRIME COMMISSIONER STRATEGIC RISK REGISTER

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R4 - Priorities and Objectives												
Failure to achieve the organisational objectives and priorities set out within the Police and Crime Plan and Service Plan	4	3	12	4	2	8	Chief Executive (reduce)	Plans are monitored through out the year and areas of concern scrutinised/ challenged. Performance data and actions are carefully considered as to their deliverability when setting the plans. Dedicated Partnerships and Strategy Manager works closely with the Constabulary to consult and agree outcomes and the information requirements in-year to ensure delivery is on track. Performance monitoring arrangements are in place for the Constabulary. Funding agreements developed with partners which provide performance reporting arrangements. Processes for monitoring delivery of the Police and Crime Plan have been reviewed and amended to reprioritise and improve them. Staffing structure under review to align with priorities for the delivery of the Police and Crime Plan.	Policies and Processes for monitoring delivery of the Police and Crime Plan are reviewed annually and will be amended to reprioritise and improve them.	A fundamental review of the process and issues resulting in this risk materialising would need to be undertaken. This would aim to establish the underlying causes and ensure appropriate action is taken. The area of underperformance would be reviewed and appropriate action taken.	Head of Partnerships & Commissioning	Mar-16

CUMBRIA POLICE AND CRIME COMMISSIONER STRATEGIC RISK REGISTER

CUMBRIA POLICE AND CRIME COMMISSIONER

VERSION CONTROL NO:

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3	Medium	Medium 20% > 65% probability
2	Low	Low 5% > 20% probability
1	Very Low	Very Low < 5% probability

Risk Description	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions				Review Date
	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Actions Already Taken to Mitigate the Risk	Outstanding Risk Mitigation Actions	Response Action or Management Approach to be Taken if Risk Occurs	Action Owner(s)	
R5 - Consultation / Engagement												
There is a risk that the Office of Public Engagement doesn't deliver in line with its agreed strategy and this negatively impacts on the effectiveness of the OPCC and the reputation / public perception of the OPCC and the Commissioner this includes (community engagement, communications, complaints/standards) There is a risk that the OPCC may not have sufficient capability and capacity to deal with a major incident.	4	3	12	4	2	8	Head of Communication and Business Services (Avoid)	A Community Engagement Strategy is reviewed on an annual basis. The strategy encompasses consultation to gain public perception on such areas as local policing priorities. It includes a media strategy. The assistance of the Constabulary's Independent Advisors' Group and external agencies may be used to ascertain how best to engage and communicate with some hard to reach groups. Consultation with a wide range of members' of the public takes place throughout the year with half yearly reports to the Executive Board and linked to the setting of the policing priorities.		There is a comprehensive Office of Public Engagement strategy that covers all of the relevant areas of Communications / Community Engagement, Complaints / Standards with key deliverables over a rolling program of the next year and the following 3 years. This is supported by weekly updates to media and six monthly complaint / Standard and community engagement reports as well.	Head of Communication and Business Services	Mar-16
There is a risk of judicial challenge which may result in a decision being over-turned with consequent financial implications if the PCC fails to consult appropriately or fails to take into account consultation responses when decision making.	4	3	12	3	2	6	Head of Communication and Business Services (Avoid)	Consultation processes are used to support all decisions with service user implications and final decisions take these into account. When required Legal advice is sought on consultation processes.		Legal and communications advice to manage the risk.	Head of Communication and Business Services	Mar-16
Risk of failure to comply with legislation and regulations in respect of requirements for statutory reports, publications and information.	4	2	8	4	1	4	Head of Communications and Business Services (Reduce)	Head of Communications & Business Services ensures that the statutory publication requirements of the annual report and Police and Crime Plan are met and kept under review. Post of Governance & Business Services Manager ensures requirements in respect of transparency/ published information is kept under review and met through the PCC website. Individual officers responsible for ensuring any published documents within their area of responsibility meet statutory requirements. An annual review of the website in line with the publication scheme is carried out. Subscriptions to professional bodies ensure relevant guidance is received on the requirements. Take part in all the reviews to ensure that we are meeting our statutory obligations.		Take immediate action to provide the required information. Review of systems and processes to determine the reasons for failing to meet requirements.	Governance & Business Services Manager	Mar-16



Joint Audit and Standards Committee

TITLE OF REPORT: Constabulary Quarterly Risk Management Update

DATE OF MEETING: 23rd June 2015

ORIGINATING OFFICER: Julie Johnstone, 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 quarterly update to the Constabulary's risk management arrangements, including a review of the current strategic risk register.

Corporate Improvement has carried out a quality assurance check of all the departmental and operational risk registers to ensure that risk is effectively managed across the organisation. The Strategic Risk Register has been updated to reflect the latest situation.

The internal auditors have completed the Risk Management Audit and assessed the Constabulary's risk management arrangements as 'substantial'. This means that

- the controls tested are being consistently applied and no weaknesses were identified, and
- there is a sound system of internal control designed to achieve the system objectives and this minimises risk.

On 6th May 2015 Strategic Development provided a presentation to Joint Audit and Standards Committee explaining how risk management works within the Constabulary.

Recommendations:

That the Audit and Standards Committee:

1. Note the Constabulary's current strategic risks and that the quarterly review was completed on 5th May 2015.
2. Note the new strategic risk (no 25) concerning the new Emergency Services Network (replacement for Airwave)
3. Note the actions carried out by the Constabulary to help mitigate its financial strategic risk that is recognised as a high priority.
3. Note the results of the risk management audit.

MAIN SECTION

1. Introduction and Background

1.1 Strategic Risks

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

Each risk is managed at the level where the control to manage the risk resides. Therefore strategic risks are managed by the Chief Officer Group, significant operational risks are managed by Operations Board (Joint Crime and Territorial Policing Board) and significant strategic business risks are managed in the relevant business department and via the Business Board. Projects and programmes also have their own risks that are managed by the project / programme teams.

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

The Chief Constable in his 'Annual Statement of Corporate Governance' determines 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 have been identified as key in reducing 'threat, risk and harm' and tackling our communities' concerns :

- Protecting vulnerable people, specifically:
 - Dealing with the issues related to vulnerable children - child abuse and child sexual exploitation
 - Responding to vulnerable adults and children who go missing from home
 - Reducing the harm caused by domestic abuse, violent and sexual offenders, encouraging people to report to the police
- Preventing and detecting violence against the person offences, sexual offences and acquisitive crime
- Preventing and dealing with antisocial behaviour
- Tackling alcohol and drug related crime and disorder

The strategic risks identified by the Constabulary are concerned with:

1. The implications of longer-term reduction in budget.
2. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme
3. Failure to deliver required change.
4. The significant increase in the number of reported rape and sexual offences.
5. Performance and productivity of police officers.
6. The integrity of police officers and staff.

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
22	The Chief Constable & Chief Financial Officers for the Police & Crime Commissioner	<p>The current funding gap continues to increase due to:</p> <ul style="list-style-type: none"> • local and national financial sources reducing and/or, • greater than projected increases in expenses (for example pay and inflation), and • the removal of the police allocation damping mechanisms , and • the Government's statement about austerity continuing until early 2020s. <p>If this risk occurs, the Constabulary would have to find and deliver further savings in addition to those already planned, resulting in a significantly reduced number of officers and staff and significant detrimental impact on police services delivered to the public.</p>	High	High	25	16	All
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	High	High	16	16	All
2	Director of Corporate Improvement & Director of Corporate Support	The Constabulary may not have the capacity to deliver the Change Programme and Corporate Support Business Plan, in particular the reliance on IT to deliver systems which improve officer productivity and reduce manual intervention in processes. If this risk occurs the Constabulary would have to find further savings from within the Constabulary.	High	Medium	10	12	All

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives
24	The Deputy Chief Constable and Temporary Detective Chief Superintendent Crime Command	There is potential reputational damage to the Constabulary because of the significant increase it has seen the number of reported rape and sexual offences caused by the large number of high profile cases reported in the media which has positively encouraged more victims to come forward and report this serious offence.	Medium	High	15	10	1,3 & 5
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	9	All
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

Risk Tolerance Levels

<p>Risk Score 1-4</p> <p>Acceptable. No action is required but continue monitoring.</p>	<p>Risk Score 5-12</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>Risk Score 15-25</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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The new strategic risk concerns the new Emergency Service Mobile Communications Programme. There is currently lack of clarity and confidence about costs and a core Emergency Services Network capability that will meet the Constabulary's critical voice communication requirements.

The Head of ICT has established links with the Home Office to conduct preliminary identification and analysis of the risk involved. Outstanding risk mitigation actions include:

- 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.
- The project will also look at ensuring how the Constabulary can position itself to consume ESN services, whilst keeping residual risks to an acceptable level. A full Business Case and options analysis will be required.
- Contingent options will be looked at as part of the Business Case/options analysis e.g. unilateral solution via suitable technologies (e.g. Tetra) that are separate to, but interoperable with ESN services.

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. Extended COG reviewed and approved the strategic risk register on 5th May 2015.

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

Not applicable to this report.

2. Financial Implications and Comments

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

3. Legal Implications and Comments

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

4. Risk Implications

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

5. HR / Equality Implications and Comments

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

6. ICT Implications and Comments

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

7. Procurement Implications and Comments

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

8. Supplementary Information

9.1 List any relevant documents and attach to report

Appendix 1	Risk Scoring Matrix
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9.2 List persons consulted during the preparation of report

All departmental 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