

STATEMENT OF ACCOUNTS 2016/17



Peter McCall

www.cumbria-pcc.gov.uk

This draft Statement of Accounts was approved by the Joint Chief Finance Officer on 31 May 2017. At this point the Grant Thornton LLP 'appointed auditor' has not yet completed his 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 July 2017, the Police and Crime Commissioner will be asked to approve the Statements and the audit opinion provided will be inserted at pages 24-27 and the watermarking removed. Pages 21 and 153 of these accounts include signatures which have been removed for the purposes of publication on the website.



Peter McCall

Police and Crime Commissioner
for Cumbria

Statement of Accounts 2016/17

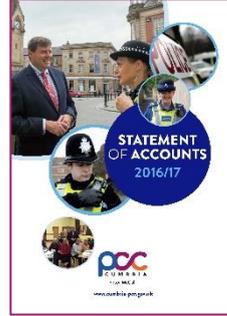
About this Publication

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



The Statement of Accounts for 2016/17 is available on the Commissioner's website at www.cumbria-pcc.gov.uk.

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



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

Alternative Formats



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

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Police and Crime Commissioner for Cumbria

Statement of Accounts 2016/17

Contents	Page
Joint Chief Finance Officer Narrative Report	3-21
Responsibilities for the Statement of Accounts	22-23
Auditors Report to the Commissioner	24-27
Core Financial Statements	28-29
• Comprehensive Income and Expenditure Statement	30-31
• Expenditure and Funding Analysis	32-35
• Movement in Reserves	36-37
• Balance Sheet	38
• Cash Flow Statement	39-40
Notes to the Accounts	41-95
Police Officer Pension Fund Account	96-97
Glossary of Terms	98-100
Annex A - Statement of Accounting Policies	101-103
Annex B – Technical Annex – Financial Instruments	104-109
Annex C – Technical Annex - Pension Disclosures	110-121
Annex D – Annual Governance Statement	122-156

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

Please see page 41 for a full list of the notes to the accounts and cross references to page numbers.

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

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2016/17 financial year. This financial statement sets out both the single entity statements of the Police and Crime Commissioner for Cumbria and the consolidated group position, incorporating the statements of the Chief Constable for Cumbria Constabulary. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

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

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

Statutory Framework

The Police and Crime Commissioner was established as a statutory entity under the Police Reform and Social Responsibility Act 2011 (PRSRA 2011). The PRSRA 2011

provides that there will be a Police and Crime Commissioner for each police area with responsibility for ensuring the maintenance of the police force for the area, securing that the police force is efficient and effective and holding the Chief Constable to account. The Commissioner has wider responsibilities than those solely relating to the police force. These include responsibility for the delivery of community safety and crime reduction, the enhancement of the delivery of criminal justice in their area and providing support to victims.

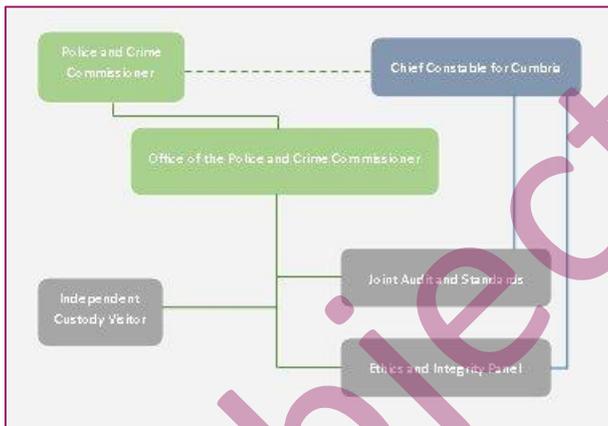
The PRSRA 2011 also established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The Chief Constable is accountable to the Commissioner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

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

This financial framework provides that the Commissioner receives all funding, including

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

Our Organisation



The Police and Crime Commissioner is supported by an office of 10.6fte staff including two statutory officers. The Chief Constable is accountable to the Commissioner and has responsibilities to support the Commissioner in the delivery of the strategy and objectives set out in the Police and Crime Plan. Both entities have appointed a Joint Audit and Standards Committee and a Joint Ethics and Integrity Panel. The Committee and Panel comprise independent members to oversee arrangements for governance, including

financial reporting and the arrangements for integrity and ethical behaviour. Four Custody Visiting Panels fulfil the statutory requirement for independent review of custody. Membership of the panels at the end of 2016/17 were: Barrow 10; Kendal 9, North Cumbria 12 and West Cumbria 11.

Our Goals

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

We work to achieve this by holding the Chief Constable to account for the delivery of effective policing and by commissioning a range of activity and interventions with the Constabulary and our wider partners. The Police and Crime Commissioner launched his new Police and Crime Plan 'Making Cumbria Even Safer' in November 2016 setting out our future strategy and goals.

Our People

Our people are the most important resource we have in achieving our goals. Our values commit to having an empowered staff who are high performing, professional and have high levels of satisfaction in their roles. The gender diversity within the Commissioner's office and the Constabulary performs well. At Chief

Joint Chief Finance Officer Narrative Report

Officer Level, excluding the elected Police and Crime Commissioner, 50% of the single entity Chief Officers are female as are 100% of senior managers. A breakdown by gender of the number of men and women across the organisation at the end of the financial year and the number of men and women who were managers is set out below.

Actual Employees as at 31 March 2017	PCC		
	Male FTE	Female FTE	Total FTE
PCC Single Entity			
Chief Officers	1	1	2
Senior Management	0	2	2
All Other Employees	0	7	7
Total PCC Employees	1	10	11
Group			
Chief Officers	9	3	12
Senior Management	10	5	15
All Other Employees	927	807	1,734
Total Group Employees	946	815	1,761

Chief Executive Report

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

The new Commissioner's new Police and Crime Plan was launched in November 2016. The Police and Crime Plan 2016-20 contains the police and crime objectives which all contribute toward achieving the Commissioner's overall aim 'to make Cumbria an even

safer place'. Each objective is supported by actions that the Constabulary and/or partners will undertake to contribute to successful outcomes. These objectives and actions are underpinned by performance measures used to assess how well the objectives are being achieved. The performance measures are set out in the Commissioner's Performance Management Framework.

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

Following the election in 2016 the Commissioner has established effective relationships with key local government, criminal justice, health and third sector partners to develop initiatives and commission activities to reduce crime, support victims and enhance community safety and criminal justice. The Commissioner has continued to provide a range of services for victims and specific services for victims of sexual and domestic violence and perpetrator programmes. He has developed the Cumbria Together website (www.CumbriaTogether.com) and funded a county-wide target hardening service for victims of anti-social behaviour and crime. This activity is driven by public consultation and engagement. The Commissioner has held a considerable number of surgeries, drop-in events and road shows; he has attended numerous parish council meetings and spoken to many groups across Cumbria; in addition he has attended several agricultural shows, carnivals and

other similar events. He has also dealt with very many e-mails, telephone calls and letters from the public and his website, which was renewed and refreshed in January 2017, receives approximately 1,500 "hits" every month.

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

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

Finance Review

2016/17 Grant Settlement and Budget

The Commissioner set a combined net revenue budget of £95.675m for 2016/17 on 24 February 2016. Funding of this amount came from the Police Grant settlement (£59.543m) and income from Council Tax (£36.132m). The budget increased the Council Tax precept by 1.91%, taking the Commissioner's proportion of the band D equivalent tax to £216.63 per

annum. The effect of the increase is to support the medium term financial forecast and mitigate the impact of the £0.341m reduction in Police Grant compared to 2015/16. The budget provided funding for the Chief Constable of £106.605m comprising a £111.244m expenditure budget to support policing and an income budget of £4.639m. The Commissioner's budget provided £2.583m for Commissioned Services, to provide funding for partnership working across the Commissioner's wider community safety, crime reduction and victim support responsibilities.

The capital budget was set at £6.883m. Capital expenditure is made up broadly of expenditure on assets that have a useful life of beyond one year. Almost two thirds of the programme related to investment in ICT including the provision of mobile devices, with the remainder being made up estates improvements and the cyclical replacement of fleet vehicles. The budget was funded from capital grants (£2.0m), internal borrowing (£0.1m), direct contributions from revenue (£1.5m) and capital reserves (£3.3m).

The table below shows the summary revenue budget for 2016/17 as set on 24 February 2016, the revised budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit). The presentation below is as the figures are reported throughout the year in the management accounts. At the year-end a number of technical accounting adjustments (required by proper accounting practice) are made. For this reason, the outturn in the table below will not reconcile directly to the Summary Comprehensive Income and Expenditure

Joint Chief Finance Officer Narrative Report

statement on page 9. References to the PCC relate to the Police and Crime Commissioner.

Summary Budget and Outturn

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

The Constabulary gross expenditure budget is made up of funding for employee costs (£99.0m; of which Police Officers comprise £75.15m), transport costs of £2.1m and supplies/other costs of £11.8m. The Commissioner's budgets comprise the costs of running his office (£0.764m) and the net position on a range of other costs. These include estates costs (£3.53m for premises used by the Constabulary and Commissioner), Commissioned Services (£2.58m to deliver the Police and Crime Plan) and budgets to finance capital expenditure and the costs of technical accounting adjustments (£6.30m). PCC other budgets also include the costs of insurance and past pension costs. Overall a net contribution to reserves of £0.334m was made in the year.

In-Year Financial Performance

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

The likelihood that the budget would be overspent was forecast from an early point in 2016/17 through the budget monitoring process. Accordingly, the Commissioner and Chief Constable have put in place measures to restore the reduction in reserves arising from the overspend in 2016/17 as part of the budget for 2017/18. Detailed outturn reports that explain the full range of variances can be found on the budget and finance section of the Commissioner's website.

The Commissioner maintains the Police Property Act Fund. The fund has been accumulated over a period of time as a result of the disposal of property coming into the possession of the police under the Police Property Act 1987 and the Powers of the Criminal Courts Act 1973. Community groups and individuals can submit applications for funding on a quarterly basis. During 2016/17 awards totaling £42.5k were made. As at 31 March 2017 the Police Property Act fund balance stood at £104k.

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

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

The Financial Statements

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

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

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of policing and other services provided in the year and the income from government grants and council tax that fund those services. The CIES is shown on page 30 of the full statement of accounts. An expenditure and income

analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in note 6 on page 49.

The table below sets out a summary CIES statement.

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

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

In addition to showing the cost of services, the CIES also sets out net financing costs of £37.128m. The most significant element of financing costs comprise pension charges (£36.609m). These charges are calculated in accordance with generally accepted accounting practices and do not all need to be funded in the 2016/17 financial year. Financing costs also include the costs of borrowing (capital financing). These costs are extremely low other than those that fund the Workington PFI building. This is because the capital programme is funded internally using cash reserves to reduce investment risk and reflect the relatively low interest rates available on investing such

balances. At the end of the financial year £18.402m (inclusive of PFI contract) of the capital programme is funded by the use of cash backed internal reserves rather than borrowing from the open market. At some point in the future, due to a planned reduction in reserves, the Commissioner will need to consider external borrowing.

Showing expenditure and income within this statement in accordance with generally accepted accounting practices results in expenditure exceeding income (a deficit on the provision of services) by £25.620m. A further accounting adjustment of £226.783m expenditure through the 'other comprehensive income and expenditure' line results in an overall position on the statement of a deficit of £252.403m. This is an accounting deficit that is taken to Unusable Reserves. Page 7 of this summary sets out the out-turn position based on the management accounts, and excluding the technical accounting entries required for the CI&ES. The management accounts show an overspend of £1.097m against the 2016/17 budget.

Expenditure and Funding Analysis

This statement provides an analysis of how annual expenditure is used on a subjective basis and the sources of funding in accordance with generally accepted accounting practices. The Commissioner's expenditure and funding analysis is shown on pages 32-33 in the full statement of accounts.

Movement in Reserves Statement

This statement shows the different reserves held by the Commissioner. These are analysed into 'Usable Reserves' and 'Unusable Reserves'. Usable reserves can be used to fund expenditure. They may help to pay for future costs or reduce the amount we need to raise in council tax to meet our expenses. Unusable Reserves are principally technical accounting adjustments. The Movement in Reserves Statement shows the opening balance on all reserves at the start of the year, movements in year and the closing balance. The Movement in Reserves statement is shown on page 36 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

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

Movements in usable reserves for 2016/17 show a net balance of £0.686m. This is the cumulative position recording the amounts we have contributed to specific (earmarked) reserves to help fund expenditure during the year, and the contributions to reserves that we have decided to make to meet expenditure in future years. There are separate accounts to record our receipt and use of income from the sale of property and government grants for capital expenditure. Capital receipts amount to £0.370m and were received following the sale of Maryport Police Station and one

police house. Capital grants amounting to £0.025m were applied to finance capital expenditure during the year.

At the end of the year, the Police Fund at 31 March 2017 stands at £3.0m and provides for unplanned financial risks. Earmarked revenue reserves are £3.435m. These reserves provide for a number of specific operational contingencies, one off budget/project costs and funding to meet future liabilities in respect of insurances and the PFI contract. The most substantial area of reserves at £17.829m are now those set aside to fund the capital programme, all of which is planned to be fully applied by 2022/23. Further detail on earmarked reserves is provided within note 8 to the statement of accounts on pages 54-55.

At the 31st March 2017 we have negative unusable reserves of £1,247m. Unusable reserves provide a mechanism through which transactions are entered into the accounts in accordance with accounting standards. They also provide the means to manage differences in the timing and calculation of those transactions and the actual expenditure or income we need to charge to our accounts. For example, our properties are regularly re-valued. When this happens any increase in their value is shown in a revaluation reserve. The reserve 'records' the additional income we may receive when the property is sold, but it is 'unusable' until we decide to dispose of the property and achieve a sale. When we sell, the revaluation reserve will be reduced by any increase in value that was recorded before sale. The actual income we receive will be shown in our usable capital receipts reserve, where it can be used to fund new capital expenditure. The balance on our unusable reserves

reflects the position following the required accounting transactions. The cumulative position for unusable reserves includes reserves of

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

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2017) of the Commissioner's assets and liabilities. The balance sheet is shown on page 38 in the full statement of accounts. The table below sets out a summary balance sheet.

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

The balance sheets shows property, plant and equipment assets, which include the Commissioner's estate, fleet of vehicles and ICT/communications

equipment, with a value of £62.325m. Of this, land and buildings comprise £52.015m. Long terms assets are comprised of intangible assets £0.334m and a long-term investment of £2.043m. Current assets are principally made up of investments (£8.102m), debtors (£13.882m) and cash (£3.044m) and have a total value of £26.827m. Investments are made in accordance with the Commissioner's treasury management strategy and support the management of reserves and cash flows. Debtors' balances are primarily made up of institutional debtors, for example central government, and prepayments. This means that the risk of not receiving the debt remains low. The Commissioner has a good collection record in respect of debtor invoices raised for services provided. During 2016/17 10 sundry debtor invoices totaling £1,510 were authorised to be written off as not collectable. The Bad Debt Provision stands at £1,090 against the future risk that not all outstanding invoices will prove to be 100% collectable. The Commissioner's debtors include a share of the debtors recorded by the 6 Cumbrian District Council's in respect of council tax. This debt amounts to £1.819m and is reduced by the Commissioner's share of their respective bad debt provisions of £0.876m. See note 14 to the statement of accounts (Page 69).

Balance sheet liabilities are amounts owed by the Commissioner. They include creditors, PFI debt, pensions and finance lease liabilities. They are split between short term (current) and long term liabilities, the current liabilities being those amounts due to be paid within 1 year. The most significant element of current liabilities are short term creditors which total £10.927m. The combined short and long term liability on the PFI scheme amount to £5.012m at 31st March

2017. Long term liabilities are the most significant figure on the balance sheet, showing a balance of £1,296m (£1,044m in 2015/16). The main element of this amount is a pension's deficit of £1,290m (£1,039m in 2015/16) for the Local Government Pension Scheme (LGPS) and the Police Pension Scheme. However, this deficit will be funded over a number of years, with financial support from Central Government, meaning that the financial position of the Commissioner remains healthy.

The Cash Flow Statement

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

The statement shows how the Commissioner generates and uses cash and cash equivalents. Cash flows are classified within the cash flow statement as arising from operating activity, investing activity and financing activity. The statement is shown on pages 39-40 of the full statement of accounts. The table below sets out a summary cash flow statement.

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

The table shows a cash inflow of £2.303m from operating activity. This is the net of our cash income including government grants, council tax and charges for services, less how much cash has been paid out, for example for salaries and goods that have been purchased. Cash flows from investing activity show an inflow of £0.548m and primarily represents the net balance of investment deposits less the amount of cash received when the investment comes to the end of its term. Investment activity provides a way to manage resources that will be used to fund future expenditure, earning interest on any balances. Investment activity also includes cash flows from the purchase and sale of capital assets (e.g. property). Cash flows arising from financing activities show a net cash outflow of £3.110m, this being amount of cash used in relation to financing and borrowing. The position in 2016/17 reflects the return of a £3.0m partner contribution to the financing of the Strategic Command Centre project, which did not ultimately go ahead. The Commissioner has no borrowing other than that which relates to finance leases and the PFI agreement. An amount of £110k was paid to reduce those debts during the year.

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

Police Officer Pension Fund Account

This statement sets out the transactions on the police officer pension fund account for the year. The statement records all the contributions that have been made during the year to the pension fund. These are primarily contributions from employees and the

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

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

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

contributions from the Commissioner of £1.096m. The full police officer pension fund account is shown on pages 96 to 97 of the financial statements accompanied with a page of explanatory notes.

Supporting Information to the Financial Statements

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

Business Review

2016/17 has seen the continuation of a number of programmes and initiatives working with the Constabulary and wider partners to deliver the key priorities within the Police and Crime Plan. This work has included 'The Bridgeway' Sexual Assault Support Service, which brings together a number of newly commissioned services (forensic-medical, counselling, Independent Sexual Violence Advisors (ISVA)) with referral pathways to existing services, to provide co-ordinated support for victims. Since its launch in 2015/16 the Bridgeway has provided support to over 200 victims and survivors of sexual assault. In relation to the provision of wider victim support services the OPCC has researched and completed a victim's needs

assessment and a separate sexual assault and abuse needs assessment with the objective of identifying gaps in service provision and providing a direction for future commissioning of services and support.

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

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

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

Funding has also been provided to support vulnerable people and reduce police call outs arising from dementia.

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

To support reducing the harm caused by hate crime, the OPCC has commissioned initiatives including a theatre production entitled 'Feel the Hate', which was delivered across secondary schools in Cumbria, aimed at raising awareness around the impacts of hate crime. This has been delivered alongside 'Turning the Spotlight on Hate Crime', a holistic programme aimed at supporting and changing the behaviours of perpetrators of hate crimes and incidents.

Prevention work has been a key theme for partnership activity. For young people the Tackling Child Sexual Exploitation (CSE) project aims to educate young people to the risks associated with CSE. During 2016/17 this included the return of the 'Chelsea's Choice' theatre production which was shown to 6,500 students. Funding has also been provided to MENCAP to develop and produce a series of short films aimed at increasing awareness of the risks of sexual exploitation to people with learning difficulties. In addition to multi-agency partnership activity, a number of grants have also been made available for community groups including several youth groups for initiatives and innovative schemes, which support the objectives of

the Police and Crime Plan including preventing and reducing the harm caused by antisocial behaviour.

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

Key Events

April 2016

- Launch of the pre-tenancy and homeless project aimed at reducing homelessness of young people in Cumbria.
- Funding approved to support the three area Community Safety Partnerships to deliver a number of initiatives to support the Police and Crime Plan objectives.
- Funding awarded to The Well to deliver the Mutual Aid Recovery Project aimed at reducing offending and re-offending.
- Funding awarded for the delivery of Vulnerability Localities Index in Barrow and Copeland to support targeted community interventions.
- Women's Community Matters were awarded PCC Innovation Funding for 3 years to support the delivery of the Petals Project aimed at reducing offending and re-offending amongst women.

May 2016

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

June 2016

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

August 2016

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

September 2016

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

October 2016

- Young Cumbria awarded funding to develop and design a Youth Commission.
- Eden FM awarded funding to support a live 'Crime in the Community' radio programme.

- Commissioner agrees the roll-out of Dignity in Dementia across the county following a successful pilot programme in South Cumbria.
- Carlisle YMCA funded to provide a detached youth work project in Carlisle Wards, aim at reducing incidents of anti-social behaviour and to encourage more positive and active lifestyle.

November 2016

- Launch of the new Police and Crime Plan for 2017-20.
- Launch of the new Copeland Hub.
- Commissioned Birchall Trust and Safety Net to provide specialist therapeutic services aimed at increasing capacity of the existing service.
- Commissioner visited Carlisle Youth Zone to view the successful Mentoring Project The project is in its second year and was funded by the OPCC over a three year period.

December 2016

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

January 2017

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

February 2017

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

March 2017

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

April 2017

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

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

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

May 2017

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

Performance Report

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

Effective Policing

- Her Majesty's Inspectorate of Constabulary (HMIC) Police Effectiveness Efficiency and Legitimacy (PEEL) Inspections: The PEEL Inspections judge the efficiency, effectiveness and legitimacy of the Constabulary in keeping people safe and reducing crime. For 2016 HMIC determined that the overall judgement for Cumbria Constabulary was 'good' in respect of effectiveness, efficiency and legitimacy. The Chief Constable reports to the Police and

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

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

Community Safety

- Antisocial behaviour has continued to fall, and has seen a 11.1% reduction compared to the same period last year; this includes a small reduction in youth anti-social behaviour. Nationally Cumbria has the lowest number of incidents.
- Hate crimes and incidents continue to be closely monitored. During 2016/17, although there was an increase in the reporting of racial hate crimes and incidents nationally following the EU referendum, Cumbria did not follow this trend experiencing a 13.2% fall in actual hate crimes, however the number of hate incidents increased. The Constabulary and partners continue to work to encourage reporting of hate crime. Cumbria remains one of the lowest forces for hate crimes both nationally and in the North West region.

- Work has also targeted increased reporting for sexual and domestic violence. During the year reported incidents of domestic abuse have reduced by 1%, however, there has been a 20% increase for sexual offences which were largely child sexual exploitation and historical offences. The effectiveness of support arrangements are measured by the reduction in repeat victims of domestic abuse, this shows a small decrease of 1% or 68 incidents compared to 2015/16.

Criminal Justice

- All recorded offences are assigned an outcome based on a national framework for crime. Crime outcomes are classed as positive where the offender is either charged or summonsed, receives an out of court disposal or where the Crown Prosecution Service (CPS) or police determine it is not in the public interest to prosecute. In all cases the crime outcome represents positive police activity in detecting the crime. Positive crime outcome performance is 26.7% for 2016/17.
- Cumbria conviction rates for Magistrates Court cases for the quarter to December 2016 equated to 91.2%, which is ranked 2nd nationally amongst 42 forces. Crown Court convictions for the same period equate to 88.6%, Cumbria is ranked 3rd out of 42 forces.

Customer and Victim Satisfaction

- Performance in customer and victim satisfaction is measured through regular independent surveys following police contact. This is supplemented by the process for police complaints that includes independent sampling of complaint files and scrutiny of local to national comparatives against complaints upheld.
- The latest satisfaction figures for the overall service experience (which includes criteria such as 'making contact', 'action taken', treatment by staff) remain high at 88.1%, which compares to 88.7% in 2015/16
- When allegations are made against the police, those resolved locally perform well against national comparative timescales, taking an average of 34 days, achieving a ranking of 5th nationally. No subsequent IPCC appeals resulted from the local resolutions, demonstrating improvements in the local resolution process.

Finance & Value for Money

- We measure our performance against targets for achieving financial outturn within a percentage of the net budget. For 2016/17 this was set at 1% for the revenue budget and 8% for the capital budget.
- Actual performance for revenue (excluding the one off contribution to provisions) was 0.3%, achieving well within the target.
- Capital outturn was 56% below budget, falling significantly outside target. Whilst this was a disappointing result, the year-end position was expected and was impacted by business decisions beyond the control of the departments delivering the capital programme. Stretch targets will

continue to be set for capital expenditure going forward as a recognised area for performance improvement.

- Value for Money performance measures economy, efficiency and effectiveness of our use of resources. 2016/17 HMIC most similar force (MSG) comparators show that the total budget for the Commissioner and Office of the Police and Crime Commissioner was slightly lower than the group average and the second lowest within the MSG based on Police Objective Analysis data.
- Costs are significantly higher (34%) than the group average on a per head of population basis. Population in Cumbria is 29% lower than the average for the group supporting findings that the variation is a result of the difference in population rather than actual cost.
- Her Majesty's Inspectorate of Constabulary (HMIC) 2016 PEEL inspection assessed the Constabulary as good in respect of efficiency.
- Outcomes against wider performance measures that indicate the effectiveness of activity and interventions are strong against the priority areas of keeping crime at low levels, reducing anti-social behaviour, bringing criminals to justice and increasing reporting of hate crime and domestic and sexual abuse.
- Collectively these indicators provide assurance of Value for Money in respect of the 2016/17 financial year.

The Future Outlook

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

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

The Commissioner inherited a strong overall financial position, which is reflected in the Medium Term Financial Forecast, which sets out the revenue budget position until 2020/21 and a capital programme which is fully funded over the same period which will support delivery of the 2016-2020 Police and Crime Plan. The current financial position has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of reductions in government funding since 2010. This has enabled reserves to be maintained at a level that provides financial resilience and supports continued investment.

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

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

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

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

This means our future formula funding outlook is the single most significant risk factor going forward that

will impact on delivery of the Police and Crime Plan and the new strategy for Policing.

Acknowledgements

The financial statements were authorised for issue by me as Joint Chief Finance Officer on 31 May 2017.

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

Roger Marshall

Joint Chief Finance Officer

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

[Signature removed for publication on website](#)

Roger Marshall CPFA

Joint Chief Finance Officer

Date : 31 May 2017

Subject to Audit

1 The Commissioner's Responsibilities

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

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

2 The Chief Constable's Responsibilities

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

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

3 The Joint Chief Finance Officer's Responsibilities

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

In preparing this Statement of Account, the CFO has:

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

The CFO has also:

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

The CFO should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2017.

Subject to Audit



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Subject to Audit

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

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

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

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

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

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

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

Due to the size of the statements, the positions for the Group and the PCC are shown in separate tables, the figures for 2016/17 and the comparators for 2015/16 are also shown in separate tables.

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

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

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

The balance sheet for the Group and PCC are shown side by side and include both 2016/17 figures and 2015/16 comparators.

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

The cash flow statement for the Group and PCC are shown side by side and include both 2016/17 figures and 2015/16 comparators.

Subject to Audit

Comprehensive Income and Expenditure Statement – Group

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

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

A more detailed analysis of the figures that make up the "Cost of Policing and Crime Services" can be found in the Expenditure and Funding Analysis (pages 32-33) and in the Expenditure and Income Analysed by Nature note (Note 6).

Comprehensive Income and Expenditure Statement – PCC

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

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

A more detailed analysis of the figures that make up the "Cost of Policing and Crime Services" can be found in the Expenditure and Funding Analysis (pages 34-35) and in the Expenditure and Income Analysed by Nature note (Note 6).

Expenditure and Funding Analysis – Group

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

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

Expenditure and Funding Analysis – Group

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

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

Expenditure and Funding Analysis – PCC

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

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

Expenditure and Funding Analysis – PCC

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

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

Movement in Reserves Statement - Group

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

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

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

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

Movement in Reserves Statement – PCC

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

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

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

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

Balance Sheet – PCC & Group

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

Cash Flow Statement – PCC & Group

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

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)		PCC 2015/16 £000s	PCC 2016/17 £000s	Group 2015/16 £000s	Group 2016/17 £000s
CF2 - The Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities are made up as follows:					
Proceeds from the Sale of Property, Plant & Equipment and Intangibles		569	377	569	377
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		569	377	569	377
CF3 - The cash flows from <i>Operating Activities</i> include the following items:					
Interest received		(137)	(111)	(137)	(111)
Interest Paid		646	633	646	633
CF4 - The cash flows from <i>Investing Activities</i> are made up as follows:					
Purchase of property, plant and equipment and intangible assets		7,111	5,117	7,111	5,117
Purchase of short-term and long-term investments		64,585	45,676	64,585	45,676
Proceeds from the sale of property, plant and equipment and intangible assets		(569)	(377)	(569)	(377)
Proceeds from short-term and long-term investments		(62,085)	(50,535)	(62,085)	(50,535)
Other receipts from investing activities		(1,317)	(429)	(1,317)	(429)
Net cash flows from investing activities		7,725	(548)	7,725	(548)
CF5 - The cash flows from <i>Financing Activities</i> are made up as follows:					
Other receipts from financing activities		(3,000)	3,000	(3,000)	3,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		98	110	98	110
Net cash flows from financing activities		(2,902)	3,110	(2,902)	3,110
CF6 - The balance of <i>Cash and Cash Equivalents</i> is made up as follows:					
Bank current accounts		(20)	(29)	(20)	(29)
Short-term deposit with bank (overnight)		(928)	(2,011)	(928)	(2,011)
Investments in Money Market Funds (available on demand)		(2,355)	(1,004)	(2,355)	(1,004)
Total Cash and Cash Equivalents		(3,303)	(3,044)	(3,303)	(3,044)

Accounting Policy - Cash and Cash Equivalents

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

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

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

Index of Notes to the Accounts

Note	Title	Page
1	Accounting Policies	42
2	Critical Judgements in Applying Accounting Policies	42
3	Events after the Balance Sheet Date.....	43
4	Assumptions made about the future and other Sources of Estimation Uncertainty	44
5	Note to the Expenditure Funding Analysis.....	45
6	Expenditure and Income Analysed by Nature	49
7	Adjustments between Accounting Basis and Funding Basis under Regulations.....	50
8	Transfers to/from Earmarked Reserves	54
9	Property, Plant and Equipment.....	56
10	Assets Held for Sale.....	63
11	Intangible Assets	64
12	Private Finance Initiative (PFI).....	65
13	Leases	67
14	Short-term Debtors	69
15	Short-term Creditors	70
16	Provisions	71
17	Financial Instruments.....	72
18	Pensions	73
19	Usable Reserves	74
20	Unusable Reserves	75
21	Related Party Transactions	80
22	Members Allowances and Expenses.....	81
23	Disclosure of Remuneration for Senior Employees	81
24	Employee Remuneration	84
25	Exit Packages/Termination Payments.....	85
26	Audit Fees.....	86
27	Grant Income	87
28	Grants Receipts in Advance.....	88
29	Income from Council Tax	89
30	Contingent Liabilities.....	90
31	Capital Expenditure and Capital Financing	91
32	Capital Commitments.....	92
33	Minimum Revenue Provision	93
34	Accounting Standards that have been Issued but have not yet been Adopted	93
35	Prior Period Adjustment.....	94

The notes to the accounts are provided to aid the understanding of material items within the core financial statements. Where the figures provided are different for the Group and PCC Single Entity either separate notes will be provided or a single note will show the respective figures in different columns, these will be headed Group or PCC. Where the figures are the same for the group and single entity a single note is provided, this is headed up PCC/Group. As a general rule, the column showing the figures for 2016/17 will be highlighted, whilst the comparatives for 2015/16 (where provided) will not.

The notes sometimes include terms that may require further explanation. Where possible, explanations are provided within the note, otherwise explanations are provided within the “glossary of terms” in pages 98-100. Terms for which an explanation is provided will be depicted by text that is shown in [teal coloured text and underlined](#).

1 Accounting Policies

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

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out alongside the relevant note or in Annex A (pages 101 to 103), the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for policing. However, the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Commissioner is deemed to control the services provided under the PFI agreement in relation to the West Cumbria TPA HQ at Workington. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement. The Commissioner has a number of options regarding ownership of the PFI building beyond the initial 25 year contract period including the right to purchase the asset for half of its market value at that time. In December 2015, the PFI building at Hall Brow Workington experienced flooding for the second time in six years. The impact of the flooding on the building highlighted resilience issues for the longer term in respect of both custody and deployment. As a result, options for the future provision of the police estate in West Cumbria are under review and the capital programme for 2017/18 and beyond includes an indicative scheme which seeks to address those resilience issues and provide a longer term solution to the PFI arrangement. In accounting for the PFI contract it is assumed that there is reasonable certainty that the Commissioner will exercise the right to purchase the building. Accordingly the PFI land and building are recognised as property, plant and equipment in the Commissioner's balance sheet at full value of £7.6m. In addition, a liability for outstanding obligations to pay for the building, which includes the cost of purchasing the asset for half its market value at the end of the PFI period are also shown on the balance sheet. As the PFI contract approaches its end it may be necessary to reflect an additional liability to recognise that the market value of the asset may exceed the construction cost.

3 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Joint Chief Finance Officer on 31 May 2017. Events taking place after this date are not reflected in the financial statements or notes.

Accounting Policy - Events after the Balance Sheet Date

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

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

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

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

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

The items in the Commissioner's group balance sheet as at 31 March 2017 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Land and buildings assets are revalued on a five year rolling basis. Therefore the value of the assets that have not been subject to valuation in the financial year may not reflect the true value of that asset.</p> <p>At the balance sheet date 31 March 2017 the value of property, plant and equipment was £62m.</p>	<p>Revaluation gains and losses or disposal proceeds in future years may be significantly different than anticipated. However, as all land and building assets are subject to an annual impairment review, the impact of this is thought to be immaterial.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).</p> <p>At the balance sheet date, the liability in respect of the LGPS pension scheme was £47m and for the police pension scheme was £1,243m.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts (Annex C) Pension Disclosures (pages 110-121).</p>

5 Note to the Expenditure Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the Police Fund (as detailed in note 6) to arrive at the amounts in the Comprehensive Income and Expenditure Statement (pages 30-31). The relevant transfers between reserves are explained in the Movement in Reserves Statement (pages 36-37).

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

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

Notes to the Accounts

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

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

Notes to the Accounts

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

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

Notes to the Accounts

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

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

6 Expenditure and Income Analysed by Nature

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

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

7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	Group Police Fund Balance £000s	Group Capital Receipts Reserve £000s	Group Capital Grants Unapplied £000s	Group Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	23,601	0	0	23,601
- Council tax (transfers to or from Collection Fund)	20c/29	19	0	0	19
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	0	1	0	1
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	5,562	0	429	5,991
Total Adjustments to the Revenue Resources		29,182	1	429	29,612
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(377)	377	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	8	(8)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	33	(413)	0	0	(413)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	31a	(2,439)	0	0	(2,439)
Total Adjustments between Revenue and Capital Resources		(3,221)	369	0	(2,852)
Adjustments to Capital Resources					
- Use of the Capital Receipts Reserve to finance capital expenditure	31a	0	0	0	0
- Application of capital grants to finance capital expenditure	20b	0	0	(454)	(454)
Total Adjustments to Capital Resources		0	0	(454)	(454)
Total Adjustments		25,961	370	(25)	26,306

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	Group Police Fund Balance £000s	Group Capital Receipts Reserve £000s	Group Capital Grants Unapplied £000s	Group Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	33,921	0	0	33,921
- Council tax (transfers to or from Collection Fund)	20c/29	(156)	0	0	(156)
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	154	0	0	154
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	6,426	0	1,317	7,743
Total Adjustments to the Revenue Resources		40,345	0	1,317	41,662
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(569)	569	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	13	(13)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	33	(367)	0	0	(367)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	31a	(6,388)	0	0	(6,388)
Total Adjustments between Revenue and Capital Resources		(7,311)	556	0	(6,755)
Adjustments to Capital Resources					
- Use of the Capital Receipts Reserve to finance capital expenditure	31a	0	0	0	0
- Application of capital grants to finance capital expenditure	20b	0	0	(607)	(607)
Total Adjustments to Capital Resources		0	0	(607)	(607)
Total Adjustments		33,034	556	710	34,300

Notes to the Accounts

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

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

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

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

8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Police Fund balances in earmarked reserves to provide financing for future expenditure plans and the movement on earmarked reserves during 2016/17 (and comparatives for 2015/16).

Earmarked Reserves	PCC/Group 2015/16 £000s	PCC/Group 2016/17 £000s	Description/Purpose
Insurance Reserve			
Balance at Start of Year	522	587	To offset any insurance claims not specifically detailed in the insurance
Transfer to Reserve in Year	91	191	provision.
Transfer from Reserve in Year	(26)	(40)	
Balance at End of Year	587	738	
Commissioned Services Reserve			
Balance at Start of Year	0	0	To provide resources for future expenditure on existing commitments
Transfer to Reserve in Year	0	419	under PCC commissioned services.
Transfer from Reserve in Year	0	0	
Transfers Between Reserves	0	0	
Balance at End of Year	0	419	
Motor Claim Reserve			
Balance at Start of Year	0	0	To provide resources to assist in funding unexpected 3rd party motor
Transfer to Reserve in Year	0	19	claims, if necessary. Under a new arrangement following the insurance
Transfer from Reserve in Year	0	0	tender process in 2016 the saving on the motor insurance renewal has
Transfers Between Reserves	0	0	been reserved to manage the fluctuations of this new arrangement.
Balance at End of Year	0	19	
Management of Change			
Balance at Start of Year	1,683	0	To help manage significant organisational change. The amount of this
Transfer to Reserve in Year	0	0	reserve is based on estimated future costs of redundancy, in addition to
Transfer from Reserve in Year	(600)	0	any other associated costs of re-organisation. A decision was taken to
Transfers Between Reserves	(1,083)	0	transfer funds within this reserve in response to Government funding
Balance at End of Year	0	0	announcements during 2015.
Chief Constable's Operational Reserve			
Balance at Start of Year	250	250	To provide resources to assist in funding unexpected major events, if
Transfer to Reserve in Year	0	0	necessary. The Home Office Financial Management Code recommends
Transfer from Reserve in Year	0	(106)	that there should be an operational contingency.
Balance at End of Year	250	144	
Chief Constable's Contingency			
Balance at Start of Year	500	500	A reserve established in 2014/15 and maintained for 2015/16 to meet an
Transfer to Reserve in Year	0	0	increase in budget pressure arising in year as a result of budgeting risks
Transfer from Reserve in Year	0	(500)	taken during the budget process. The establishment of this reserve has
Balance at End of Year	500	0	supported a significant reduction in the ongoing revenue budget
			requirement.
PFI Reserve & Lifecycle Replacement			
Balance at Start of Year	1,863	313	To equalise the impact on the Comprehensive Income and Expenditure
Transfer to Reserve in Year	56	0	Statement of changing levels of grant income and charges over the period
Transfer from Reserve in Year	(46)	(4)	of the PFI contract. A decision was taken during 2015/16 to transfer funds
Transfers Between Reserves	(1,560)	0	within this reserve in response to the December 2015 floods and
Balance at End of Year	313	309	consequent changes to the capital programme.
Police and Crime Commissioner Operational Contingency			
Balance at Start of Year	250	250	To provide resources both to back up the annual operational contingency
Transfer to Reserve in Year	0	0	and, in addition, to assist in funding unexpected expenditure/budget
Transfer from Reserve in Year	0	0	pressures in line with the Commissioner's responsibilities. The Home
Balance at End of Year	250	250	Office Financial Management Code recommends that there should be an
			operational contingency.

Transfers to/from Earmarked Reserves (Continued)

Earmarked Reserves	PCC/Group 2015/16 £000s	PCC/Group 2016/17 £000s	Description/Purpose
Police and Crime Commissioner Transition			
Balance at Start of Year	50	0	To help manage the costs associated with the transition plan for the four
Transfer to Reserve in Year	0	0	yearly appointment of Police and Crime Commissioners. This reserve has
Transfer from Reserve in Year	0	0	been extinguished in 2015/16 with the balance transferred to other
Transfers Between Reserves	(50)	0	reserves.
Balance at End of Year	0	0	
Formula Funding/Autumn Statement Risk			
Balance at Start of Year	200	0	A reserve established during 2014/15 to provide resources to contribute
Transfer to Reserve in Year	383	0	towards future budgets as a result of risk of funding formula and grant
Transfer from Reserve in Year	0	0	settlement reductions. This reserve has been extinguished in 2015/16 and
Transfers Between Reserves	(583)	0	the potential impact of the funding formula re-allocations has been
Balance at End of Year	0	0	modelled into the MTF.
Investment Fund			
Balance at Start of Year	5,707	219	This fund was established to invest in initiatives to deliver the police and
Transfer to Reserve in Year	2,606	1,343	crime plan. During the year the reserve has been used to manage funding
Transfer from Reserve in Year	(1,573)	(2,056)	to support the significant investment in mobile and digital working. A
Transfers Between Reserves	(6,521)	1,478	decision was taken during 2015/16 to transfer funds within this reserve in
Balance at End of Year	219	984	response to the December 2015 floods and consequent changes to the
			capital programme.
Short Term Project Reserves			
Balance at Start of Year	2,819	1,074	To support a variety of locally managed initiatives granted under the
Transfer to Reserve in Year	676	201	scheme of devolved resource management. These are primarily multi-
Transfer from Reserve in Year	(868)	(704)	year technology based projects or resources to provide funding for
Transfers Between Reserves	(1,553)	0	unbudgeted costs within the 2016/17 financial year. Transfers between
Balance at End of Year	1,074	571	reserves during 2015/16 reflect project resources that were re-prioritised
			to respond to the December 2015 floods.
Total Revenue Reserves			
Balance at Start of Year	13,844	3,193	Total of all reserves earmarked for revenue purposes (as set out above).
Transfer to Reserve in Year	3,812	2,174	
Transfer from Reserve in Year	(3,113)	(3,410)	
Transfers Between Reserves	(11,350)	1,478	
Balance at End of Year	3,193	3,435	
Capital Reserves			
Balance at Start of Year	8,543	17,730	The capital reserve holds direct contributions from the revenue budget to
Transfer to Reserve in Year	0	3,473	fund capital schemes within the approved capital programme. Capital
Transfer from Reserve in Year	(4,312)	(1,896)	reserves are set at a level to ensure that the programme is fully funded for
Transfers Between Reserves	13,499	(1,478)	the life of the medium term financial forecast (4 years). The reserve was
Balance at End of Year	17,730	17,829	increased during 2015/16 following changes to the capital programme
			from 2016/17 onwards in response to the December 2015 floods.

9 Property, Plant and Equipment

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

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



South Cumbria Territorial Policing Area HQ in Barrow

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

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

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



Accounting Policy - Property, Plant and Equipment

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

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

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

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

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

Assets included in the Balance Sheet at [current value](#) (i.e. not valued at historic cost) are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Measurement (continued)

Increases in valuations are matched by credits to the [Revaluation Reserve](#) to recognise unrealised gains. Gains are to be credited to the relevant function line(s) in the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a function up to the amount of the original loss, adjusted for [depreciation](#) (if material) that would have been charged if the loss had not been recognised.

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

Component Accounting

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

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

9.a Valuations Rolling Programme

The Commissioner carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations of land and buildings are carried out on behalf of the Commissioner by Mr. C. Smith BSc MRICS, Carigiet Cowen, Telford House, Riverside, Warwick Road, Carlisle CA1 2BT and were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on historic cost as a proxy for fair value. The basis of the valuations is set out in the accounting policies. The table below sets out details of the land and buildings valuations undertaken over the five year rolling programme.

Valuations Rolling Programme	PCC/Group					Total Property, Plant & Equipment
	Land and Buildings	Vehicles	IT and Technology	Furniture & Equipment	Assets Under Construction	
	£000s	£000s	£000s	£000s	£000s	£000s
Carried at Historical Cost	0	8,640	19,834	4,234	7	32,715
Valued at Current Value as at:						
- 31 March 2017	24,586	0	0	176	0	24,762
- 31 March 2016	21,692	0	0	229	0	21,921
- 31 March 2015	7,318	0	0	0	0	7,318
Total Cost or Valuation	53,596	8,640	19,834	4,639	7	86,716

Accounting Policy - Valuations

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

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

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

Accounting Policy – Valuations Material Estimation Techniques

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

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

9.b Impairment Review

The Commissioner's professional valuer, Mr. C. Smith BSc MRICS, Carigiet Cowen, Telford House, Riverside, Warwick Road, Carlisle CA1 2BT, has made an assessment of the possible effects of material impairment to land and buildings during the financial year. His assessment was based on a number of specific criteria, which, in his opinion, could affect the valuation of assets. The outcome of the assessment process is that for the majority of premises the valuer has concluded that there are no impairments. In the 2015/16 impairment review, the valuer impaired on a temporary basis those premises impacted by the December 2015 flooding (Carleton Hall HQ, Workington and Appleby) to the extent that some reinstatement work remained outstanding, these impairments have now been reversed as all the work has been completed. The valuer at that time also impaired the Workington premises on a permanent basis reflecting an increase in the perceived risk of future flooding, this impairment has now been incorporated into the 2016/17 revaluation of that premises.

Accounting Policy - Impairment

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

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

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

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

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

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

A brief analysis of the Commissioner's principal assets as at 31 March 2017 is set out below:

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

9.d Effects of Changes in Estimates

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

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

The table below analyses the (gain)/loss on sale of property, plant and equipment for the year ended 31 March 2017.

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

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

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

Note in 2016/17 £53k (£130k in 2015/16) of receipts from proceeds of sale included in the above table were individually below the £10k threshold for recognition as capital receipts and have therefore been treated as revenue income. This explains why the capital receipts recorded in note 7 show £377k (£569k in 2015/16) rather than £430k (£699k in 2015/16) as above.

Accounting Policy - Capital Receipts

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

10 Assets Held for Sale

Assets held for sale relate to land and buildings assets that are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets. The assets are being actively marketed for a sale at a price that is reasonable in relation to its current [fair value](#). The sale is expected to qualify for recognition as a completed sale within one year from the date of classification. The table below shows the movement on Assets Held for Sale in 2016/17 with comparative information for 2015/16.

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

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

Accounting Policy - Disposal and Non-Current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to [non-current assets](#) and valued at the lower of:

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

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

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

11 Intangible Assets

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

A summary of the movements in intangible assets during the year and the position as at 31 March 2017 (with comparatives for 2015/16) is set out in the table below:

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

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

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

Accounting Policy - Intangible Assets

Intangible assets are initially measured at cost amounts and are only revalued where the fair value of the asset can be determined by an active market. The depreciable amount of an intangible asset is amortised over its useful life (usually 5 years) to the relevant function(s) in the Comprehensive Income and Expenditure Statement. Once intangible assets have been fully amortised, at the end of their useful lives, the gross book value and accumulated amortisation for those assets will be written out of the asset register. There will be no impact on the core financial statements (balance sheet) as a result of this as the net book value will already be nil.

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

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

12 Private Finance Initiative (PFI)

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

There is currently one PFI scheme recognised on the Balance Sheet and this relates to the West Cumbria TPA HQ at Workington. Under the terms of the Commissioner's funding arrangement to the Chief Constable the Commissioner controls all property and, accordingly, the PFI building is recorded on the Balance Sheet of the Commissioner. A charge is made by the Commissioner to the Chief Constable in the Comprehensive Income and Expenditure Statement for the Chief Constable's use of the building and the services provided.

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

The PFI asset is recognised on the Commissioner's balance sheet along with a corresponding PFI finance lease liability which recognises the Commissioner's outstanding liability to pay for the asset. The PFI asset is depreciated and revalued in the same way as any other asset in accordance with accounting policies.

The amount paid to the PFI operator each year (known as the unitary charge payment) is now split into four elements in the accounts as follows:

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

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

12.a Movement on Fixed Assets

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

12.b PFI Finance Lease Liability

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

PFI Lease Liability	PCC/Group As at 31 March	
	2016 £000s	2017 £000s
Balance at the start of the year	(5,220)	(5,122)
Repayments made during year	98	110
Balance at the end of the year	(5,122)	(5,012)
Split of liability		
Current Liability	(110)	(125)
Long Term Liability	(5,012)	(4,887)
	(5,122)	(5,012)

12.c Payments Due to be made under PFI Contract

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

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

The repayment of liability figures include a sum of £2,910k between 6 and 10 years which recognises that there is reasonable certainty that the Commissioner will exercise his right to purchase the PFI building at the end of the PFI contract period. See critical judgement note 1 (page 42) for further explanation.

Accounting Policy - Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

13 Leases

13.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

13.b Operating leases

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

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

Future Minimum Lease Payments	PCC/Group As at 31 March	
	2016 £000s	2017 £000s
Not later than one year	201	185
Later than one year and not later than five years	124	124
Later than five years.	3,433	3,402
	3,758	3,711

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

Lease Expenditure Charged to Net Cost of Police Services	PCC/Group 2015/16 £000s	PCC/Group 2016/17 £000s
Minimum Lease Payments		
- Land and Buildings	144	129
- Equipment	116	77
	260	206



North Cumbria Territorial Policing Area HQ – Carlisle

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

Accounting Policy - Leases

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

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

Finance leases (as Lessee)

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

Lease payments are apportioned between:

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

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

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

Operating Leases (as Lessee)

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

Finance Leases (as Lessor)

- There are currently no finance leases as a lessor.

Operating Leases (as Lessor)

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

14 Short-term Debtors

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

A breakdown of the amounts owing to the Commissioner as at 31 March 2017 is set out in the table below:

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

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

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

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

15 Short-term Creditors

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

An analysis of the amounts owed by the Commissioner as at 31 March 2017 is set out in the table below:

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

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

Analysis of Other Entities and Individuals	PCC		Group	
	As at 31 March		As at 31 March	
	2016	2017	2016	2017
	£000s	£000s	£000s	£000s
Goods and Services	(5,999)	(2,962)	(5,999)	(2,962)
Receipts In Advance	(489)	(900)	(489)	(900)
Employees (accumulated compensating absences)	(2,931)	(2,940)	(2,931)	(2,940)
Local Taxpayers	(696)	(763)	(696)	(763)
Other Entities and Individuals	(10,115)	(7,565)	(10,115)	(7,565)

16 Provisions

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

A brief description of the purpose of the individual provisions as at 31 March 2017 is provided below:

- Insurance liabilities – this provision has been established to meet a number of eventualities 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.
- Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.

Accounting Policy – Provisions

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

[Provisions](#) are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties. Details of provisions made during the year are shown in the notes to the accounts (note 13, page 51).

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

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

Notes to the Accounts

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

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

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

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

17 Financial Instruments

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

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the PCC/Group are included in section A of a separate technical appendix at Annex B on pages 104 to 109.

The disclosures include:

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

18 Pensions

The PCC/Group participates in the Local Government Pension Scheme (LGPS) for Police Staff and three pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the PCC/Group are included in a separate technical appendix at Annex C on pages 110 to 121.

The disclosures include:

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

Subject to Audit

19 Usable Reserves

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

In addition to the Commissioner's Police Fund, which the Commissioner aims to maintain at 3% of budgeted expenditure, the following reserves are maintained and accounted for in line with the Code of practice.

- **Capital Receipts Reserve** – this reserve is used to hold capital receipts until they are utilised to finance capital expenditure or reduce borrowing.
- **Capital Grants Unapplied Account** – this reserve is used to hold capital grants until they are utilised to finance capital expenditure.
- **Capital Reserve** – this reserve is a revenue backed earmarked reserve that has been set aside to fund capital expenditure.
- **Earmarked Reserves** - The Commissioner has a number of earmarked reserves that exist both to provide a **contingency** to cushion the effect of unexpected events and to provide a mechanism to build up funds to meet expected liabilities. The Commissioner's earmarked reserves have been formulated in conjunction with the **CIPFA** guidance on Reserves and **Provisions**. Details of the earmarked reserves in existence and a brief description as to their purpose is included in note 8 to the accounts (see pages 54-55).

The movement in the Commissioner's Group and Single Entity Usable Reserves is detailed in the Movement in Reserves Statement (see pages 36 to 37), and the disclosure notes relating to Adjustments between the Accounting Basis and Funding Basis under regulations (Note 7) and Transfer to/from Earmarked reserves (Note 8).

Accounting Policy - Reserves

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

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

20 Unusable Reserves

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

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

20.a Revaluation Reserve

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

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

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

The movements on the reserve during 2016/17 and the previous year are set out in the table below:

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

20.b Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Commissioner as finance for the costs of acquisition, construction and enhancement. The account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the account apart from those involving the revaluation reserve.

The movements on the account during 2016/17 and the previous year are set out in the table below:

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

20.c Collection Fund Adjustment Account

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

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

Collection Fund Adjustment Account	PCC/Group 2015/16 £000s	PCC/Group 2016/17 £000s
Balance at Start of Year	583	739
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	156	(19)
Balance at End of Year	739	720

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

Accounting Policy – Collection Fund

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

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

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

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

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

20.d Accumulated Absences Account

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

Accumulated Absences Account	PCC 2015/16 £000s	PCC 2016/17 £000s	Group 2015/16 £000s	Group 2016/17 £000s
Balance at Start of Year	(17)	(7)	(2,701)	(2,855)
Settlement or cancellation of accrual made at the end of the preceeding year	17	7	2,701	2,855
Amounts accrued at the end of the current year	(7)	(7)	(2,855)	(2,856)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10	0	(154)	(1)
Balance at End of Year	(7)	(7)	(2,855)	(2,856)

Accounting Policy - Employee Benefits payable during Employment

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

20.e Pensions Reserve

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

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

20.f Available for Sale Financial Instruments Reserve

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

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

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

21 Related Party Transactions

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

21.a Chief Constable for Cumbria Constabulary

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

21.b Central Government

Central government has effective control over the general operations of the Commissioner – it is responsible for providing the statutory framework within which the Commissioner operates and provides the majority of its funding in the form of grants. Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement (page 30). Government Grants included within the Net Cost of Services are detailed in note 27 below, the extent to which these grants are outstanding at the end of the year is recorded in short-term [debtors](#) note 14.

21.c Members

The Commissioner has eight appointed Members, four who serve on the Joint Audit and Standards Committee and four who serve on the Ethics and Integrity Panel. These members are required to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2016/17 financial year. The total members allowances paid in 2016/17 are shown in note 22.

21.d Officers and Employees

Employees of the Commissioner and senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2016/17 financial year.

21.e Other Public Bodies

The Commissioner's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in the pension related disclosure notes included within the Technical Annex (Annex C) pages 110-121.

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

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

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

22 Members Allowances and Expenses

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

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

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

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

23 Disclosure of Remuneration for Senior Employees

The following tables sets out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is less than £150,000 but more than £50,000 per year. The first table provides the information for 2016/17 and the second provides comparatives for 2015/16.



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

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

Notes:

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

Notes to the Accounts

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

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

Notes:

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

24 Employee Remuneration

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

Remuneration Band	2015/16				2016/17			
	PCC Police Staff	CC Police Staff	CC Snr Police Officers	Group Total	PCC Police Staff	CC Police Staff	CC Snr Police Officers	Group Total
£50,000 to £54,999	0	2	0	2	0	4	0	4
£55,000 to £59,999	2	2	0	4	3	1	0	4
£60,000 to £64,999	0	1	0	1	1	1	0	2
£65,000 to £69,999	2	1	0	3	0	3	0	3
£70,000 to £74,999	0	1	0	1	0	1	0	1
£75,000 to £79,999	0	1	0	1	0	0	1	1
£80,000 to £84,999	0	1	1	2	0	2	1	3
£85,000 to £89,999	0	0	3	3	0	0	1	1
£90,000 to £94,999	1	0	1	2	1	0	2	3
£95,000 to £99,999	0	0	0	0	0	0	0	0
£100,000 to £104,999	0	0	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	0	0	0	0
£110,000 to £114,999	0	0	0	0	0	0	0	0
£115,000 to £119,999	0	0	0	0	0	0	1	1
£120,000 to £124,999	0	0	1	1	0	0	0	0
£125,000 to £129,999	0	0	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	0	0	0	0
£140,000 to £144,999	0	0	1	1	0	0	1	1
Total	5	9	7	21	5	12	7	24

In 2016/17 the remuneration for 74 Police Officers (65 in 2015/16) superintendent rank and below (who are not required to be disclosed in the above note under regulations) exceeded £50,000.

The table above includes those employees and senior police officers that are also required to be disclosed on a more detailed individual basis. Please see note 23 for more information.

25 Exit Packages/Termination Payments

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

Exit package cost band (including special payments)	PCC/Group		PCC/Group		PCC/Group		PCC/Group	
	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by cost band		Total cost of exit packages in each band	
	2015/16 Headcount	2016/17 Headcount	2015/16 Headcount	2016/17 Headcount	2015/16 Headcount	2016/17 Headcount	2015/16 £000's	2016/17 £000's
£0-£20,000	8	0	32	4	40	4	447	40
£20,001 - £40,000	1	0	21	0	22	0	607	0
£40,001 - £60,000	0	0	9	2	9	2	440	109
£60,001 - £80,000	1	0	4	2	5	2	331	150
£80,001 - £100,000	0	0	2	0	2	0	168	0
£100,001 - £150,000	1	0	1	0	2	0	203	0
Total	11	0	69	8	80	8	2,196	298

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

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

During 2016/17 an amount of £8k arose as a result of a number of amounts that had been accrued in the 2015/16 accounts for which the final settlement during 2016/17 was slightly higher. These amounts are not included in the above table in 2016/17 as the exit packages for those individuals are included in the 2015/16 column. The figure shown on the face of the Expenditure and Funding Analysis (pages 32-33) for 2016/17 is made up of the exit packages paid in the year of £298k (per the table above) plus £8k in respect of these differences in accruals. For 2015/16 the total exit packages paid of £2,196k (per the table above) is divided between those arising in the year and charged to the revenue budget £1,641k (as shown on the face of the Expenditure and Funding Analysis for 2015/16 plus those charged directly against a specific termination costs provision established in 2014/15 £555k.

Accounting Policy - Termination Benefits

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

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

26 Audit Fees

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

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

The table above includes fees paid in relation to 'other services'. These fees payable in 2015/16 related to an annual contract (starting in 2014/15) for the provision of specialist VAT and Tax advice. The fee for 2016/17 also included a one off piece of consultancy work undertaken on A VAT health check and work associated with the development of a VAT manual. These fees relate to both the Commissioner and the Constabulary.

27 Grant Income

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

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

Accounting Policy - Government Grants and Contributions

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

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

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

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

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

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

28 Grants Receipts in Advance

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

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

29 Income from Council Tax

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

The income from Council Tax for 2016/17 is received as precept from the six district councils as set out below:

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

The comparative information for 2015/16 is as follows:

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

30 Contingent Liabilities

Injury pensions

A case regarding the payment of injury pensions to a retired police officer has highlighted a conflict between police (injury benefits) regulations and social security legislation. The implication of the judgement is that police injury benefits should no longer be reduced by entitlement to social security benefits (employment support allowance). A small number of Cumbria Constabulary Officers are affected by the judgement, however the benefit entitlement must be determined on an individual case by case basis and information is awaited from the Department for Work and Pensions and HMRC to enable the calculation to be undertaken. This matter is therefore treated as a contingent liability in the 2016/17 statement of accounts.

Pension Challenge

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

Accounting Policy - Contingent Liabilities

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

31 Capital Expenditure and Capital Financing

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

The commissioner approves on an annual basis a capital programme for the Constabulary. The capital programme is fully funded for a four year period to tie in with the medium term financial forecast. The capital programme covers the routine cyclical replacement of ICT equipment and vehicles and also includes specific one off projects. Due to the cyclical nature of the majority of the capital programme, the programme is also modelled at a high level over a 10 year longer term horizon. The capital programme for 2016/17 was approved by the Commissioner at his Executive Board Meeting on 24 February 2016. The capital strategy report can be found on the Commissioner's website at: <https://cumbria-pcc.gov.uk/wp-content/uploads/2017/03/24-February-2016.pdf>

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

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

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

31.a Capital Financing

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

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

32 Capital Commitments

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

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

33 Minimum Revenue Provision

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

In line with the Capital Finance and Accounting regulations a Statement of MRP Policy was approved in February 2016 as part of the Treasury Management Strategy Statement. The policy states that MRP will be calculated using the regulatory method for debt incurred prior to 1 April 2008 and on the asset life basis for debt incurred after this date. In respect of PFI assets brought onto the balance sheet under the 2009 SORP, the MRP provision will match the annual principal repayment for the associated deferred liability.

The Minimum Revenue Provision charged for the year 2016/17 (and comparatives for 2015/16) is made up as follows:

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

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

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

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

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

35 Prior Period Adjustment

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

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

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

The income and expenditure on the CIES are now reported as a single line "Cost of Policing and Crime Services". Further analysis by subjective headings is provided on the Expenditure and Funding Analysis (pages 32-35) and in notes 5 and 6 to the main statements.

Accounting Policy - Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Notes to the Accounts

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

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

Police Officer Pension Fund Account

Police Officer Pension Fund Account

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

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

Net Assets Statement

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

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

Accounting Policies

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

Operation of Police Pensions Schemes

Since 1 April 2015 the Chief Constable has operated three Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The original Police Officer Pension scheme is known as the 1987 scheme. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the 2006 scheme and the previous 1987 scheme was closed to new members. Officers who were members of the 1987 scheme were allowed by regulation to become members of the 2006 scheme if they wished. Members' contribution rates for 2016/17 and 2015/16 were between 11% and 12.75% for the 2006 scheme and between 14.25% and 15.05 for the 1987 scheme.

From 1 April 2015, a new pension scheme was introduced for Police Officers, known as the 2015 Scheme. The 2015 scheme is based on career average revalued earnings (CARE). All Police Officers recruited from 1 April 2015 will automatically become members of the new scheme and the two previous schemes (1987 and 2006) have been closed to new members from that date. Members of the two older police pension schemes will either be fully protected in those schemes, transfer to the new 2015 scheme on 1 April 2015, or will transfer on different tapering dates in the future subject to individual circumstances around age and length of service remaining. The members' contribution rates for the new scheme ranged between 12.44% and 13.78% in 2016/17 and 2015/16.

The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 38). Detailed disclosure notes regarding the Police Pension schemes can be found in the Technical Annex to the Statement of Accounts (Annex C Pensions on pages 110-121).

Funding of Police Pension Schemes

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

Glossary of Terms

Accruals

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

ACPO

The Association of Chief Police Officers.

Actuarial Valuation

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

Agency Costs

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

Amortisation/Amortised Cost

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

Budget

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing Requirement (CFR)

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

Capital Receipt

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

Cash and Cash Equivalents

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

CC

The Chief Constable for Cumbria Constabulary.

CC CFO

The Chief Constable's Chief Finance Officer.

Chief Constable

The Chief Constable for Cumbria Constabulary.

CIPFA

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

Commissioner

The Police and Crime Commissioner for Cumbria.

Componentisation

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

Contingency

A sum set aside to meet unforeseen expenditure.

Creditors

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

Glossary of Terms

Debtors

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

Depreciation

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

De-minimis

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

Direct Revenue Contributions (DRC)

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

Earmarked Reserves

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

Fair Value

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

Hedge Funds

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

Heritage Assets

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

HMIC

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

Impairment/Impaired

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

Investment Property

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

Leasing

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

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

Minimum Revenue Provision (MRP)

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

Non-current Assets

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

PCC

The Police and Crime Commissioner for Cumbria.

PCC CFO

The Police and Crime Commissioner's Chief Finance Officer.

Pension actuarial gains and losses

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

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

Pension – current service costs

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

Glossary of Terms

Pension – defined benefit scheme

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

Pension assets – expected rate of return

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

Pension – interest costs

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

Pension - past service costs

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

Police Objective Analysis (POA)

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

Precept

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

Private Equity Funds

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

Provision

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revaluation Reserve

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

SERCOP

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

The Commissioner

The Police and Crime Commissioner for Cumbria.

TPA

Territorial Policing Area.

Annex A - Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the financial transactions for the 2016/17 financial year and the financial position at the 31 March 2017. The Police and Crime Commissioner and [Chief Constable](#) are each required to prepare an annual Statement of Accounts (single entity) in accordance with the Accounts and Audit Regulations 2015 which stipulate that the statements be prepared in accordance with proper accounting practices. Those practices primarily comprise the [CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17](#) (the Code) and the Service Reporting Code of Practice 2016/17 [SERCOP](#), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The [Commissioner](#) is responsible for combining the single entity statements to form a set of consolidated group accounts.

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

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

2 Accruals of Income and Expenditure

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

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

Accrual Example 1

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

Accrual Example 2

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

Annex A - Statement of Accounting Policies

3 Exceptional Items

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

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

4 Inventories

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

5 Treatment of Overheads

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

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

6 Heritage Assets

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

Annex A - Statement of Accounting Policies

7 Investment Property

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

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

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

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

8 Contingent Assets

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

9 Value Added Tax (VAT)

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

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

Accounting Policy - Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into two types:

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

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

Where assets are identified as [impaired](#) because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. An example of such a charge would be the adjustment made to the [debtors](#) balance as a [provision](#) for bad debts (see note 14, page 69).

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

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

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

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

Annex B – Technical Annex – Financial Instrument Disclosures

B1 Categories of Financial Instrument

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

Categories of Financial Instruments	PCC Long Term		PCC Current		Group Long Term		Group Current	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Financial Assets								
Loans and Receivables								
Investments	0	2,043	15,030	8,102	0	2,043	15,030	8,102
Cash & Cash Equivalents	0	0	3,303	3,044	0	0	3,303	3,044
Debtors	0	0	5,301	6,707	0	0	5,376	6,792
Total Financial Assets	0	2,043	23,634	17,853	0	2,043	23,709	17,938
Financial Liabilities								
Financial liabilities carried at contract amounts								
Creditors	0	0	(2,924)	(1,086)	0	0	(10,611)	(8,379)
Other Long-term Liability (PFI/Finance Lease)								
PFI & Finance Lease Liabilities	(5,012)	(4,887)	(111)	(125)	(5,012)	(4,887)	(111)	(125)
Total Financial Liabilities	(5,012)	(4,887)	(3,035)	(1,211)	(5,012)	(4,887)	(10,722)	(8,504)

B2 Gains and Losses on Financial Instruments

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

Gains and Losses on Financial Instruments	PCC/Group 2015/16				PCC/Group 2016/17			
	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest Expense	0	646	0	646	0	633	0	633
Impairment Losses (Bad Debts Provision Increase)	0	0	0	0	0	0	0	0
Total Expenses in (Surplus) or Deficit on the Provision of Services	0	646	0	646	0	633	0	633
Interest Income	0	0	(124)	(124)	0	0	(102)	(102)
Impairment Gain (Bad Debts Provision Reduction)	0	0	0	0	0	0	0	0
Total Income in (Surplus) or Deficit on the Provision of Services	0	0	(124)	(124)	0	0	(102)	(102)
Net (Gain)/Loss for the Year	0	646	(124)	522	0	633	(102)	531

Annex B – Technical Annex – Financial Instrument Disclosures

B3 Fair value of Assets and Liabilities Carried at Amortised Cost

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

- Estimated interest rates at 31 March 2017 of 2.19% for loans from the Public Works Loans Board (PWLb).
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.
- In calculating the fair value of the PFI a discount rate based on the returns of a zero coupon AA corporate bond have been used to discount future cash flows as this instrument has an estimated risk profile equivalent to that of public sector PFI schemes.

The fair values calculated are as follows:

Fair Values of Assets and Liabilities	PCC		PCC		Group		Group	
	31 March 2016		31 March 2017		31 March 2016		31 March 2017	
	Carrying Amount £000s	Fair Value £000s						
Financial Liabilities								
Creditors	(2,924)	(2,924)	(1,086)	(1,086)	(10,611)	(10,611)	(8,379)	(8,379)
Other Long-term Liabilities (PFI/Finance Lease)	(5,123)	(9,665)	(5,012)	(9,631)	(5,123)	(9,665)	(5,012)	(9,631)
	(8,047)	(12,589)	(6,098)	(10,717)	(15,734)	(20,276)	(13,391)	(18,010)
Financial Assets								
Investments	15,030	15,030	10,145	10,145	15,030	15,030	10,145	10,145
Cash and Cash Equivalents	3,303	3,303	3,044	3,044	3,303	3,303	3,044	3,044
Debtors	5,301	5,301	6,707	6,707	5,376	5,376	6,792	6,792
	23,634	23,634	19,896	19,896	23,709	23,709	19,981	19,981

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

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

Annex B – Technical Annex – Financial Instrument Disclosures

B4 Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

The Commissioner's activities expose it to a variety of financial risks. The Commissioner's annual Treasury Management Strategy focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Commissioner provides written policies within its Treasury Management Strategy covering interest rate risk, credit risk and the investment of surplus cash balances. A copy of the current Treasury Management Strategy Statement can be found on the Police and Crime Commissioner's website at: <https://cumbria-pcc.gov.uk/wp-content/uploads/2017/03/Treasury-Management-Strategy-Statement-2017-18-and-Prudential-Indicators-2017-18-to-2019-20.pdf>

B4 (i) Credit Risk

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

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

This risk is minimised through the application of policies set out in the annual Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's ratings services. The annual TMSS (approved by the Commissioner in February 2016), also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria as set out in the 2016/17 TMSS in respect of financial assets held by the Commissioner are detailed below:

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

Annex B – Technical Annex – Financial Instrument Disclosures

The Commissioner's maximum exposure to credit risk in relation to its investments in banks, building societies and other Local Authority's of £10m at the balance sheet date cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Commissioner's deposits, but there was no evidence at the 31 March 2017 that this was likely to happen.

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

Potential Maximum Exposure to Credit Risk	Amount at 31/03/17 £000s	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31/03/17	Estimated maximum exposure to default and uncollectability £000s	Comparative Estimated maximum exposure at 31/03/16 £000s
Customers - Operational Debtors	1,788	0.03%	0.06%	1	1

The Commissioner does not generally allow credit for customers. At the 31 March 2017, £72k (4%) of the £1,788k balance of operational debt was past the due date for payment. This sum has increased slightly from the balance at 31 March 2016 (£42k (2%) out of £2,148k overdue), as a consequence the Commissioner has maintained the bad debt provision as at 31 March 2017 at £1k to reflect a degree of uncertainty around a reduced number of the longer standing debts. The past due amount can be analysed by age as follows:

Aged Debt Past Due Date	PCC/Group As at 31 March	
	2016 £000s	2017 £000s
Total Operational Debtors	2,148	1,788
Aged Debt past its due date by:		
1-30 Days	22	42
31-60 Days	4	12
61-90 Days	4	3
91-180 Days	1	6
181-360 Days	3	0
361+ Days	8	9
	42	72

B4 (ii) Liquidity Risk

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

As the Commissioner has ready access to borrowings from the PWLB and had at 31 March 2017 no actual external debt having financed a number of recent projects through internal borrowing, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A more pertinent risk is that the Commissioner will be required to replenish a significant proportion of its internal borrowings at a time of unfavourable interest rates. At the balance sheet date the Commissioner is confident that it has adequate working capital principally as a result of its [reserves](#) to mitigate this risk. Nevertheless, prevailing money market rates are regularly monitored with a view to ensuring that long term debt financing decisions are made at the optimum time.

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

B4 (iii) Market Risk

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

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

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

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

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

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

The Treasury Management Strategy also advises on the limits for new variable and fixed-rate borrowing for the year. No new external borrowing was undertaken in 2016/17.

C1 Pension Schemes

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

Individually there are three pension schemes for police officers (1987, 2006 and 2015 schemes) and a single scheme for police staff (LGPS). They are all defined benefits schemes.

- **The Local Government Pension Scheme (LGPS)**

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

The LGPS for Police Staff employees, is administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded defined benefit scheme, meaning that the Commissioner and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2016/17 the Commissioner made a contribution of 12.7% of pensionable pay. The past service contribution made in 2016/17 of £1,478k (£47k for the PCC Single Entity Statements) represented a three year contribution which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2016 with revised rate for employers contributions of 15.4% being applicable from April 2017.

- **The Police Pension Scheme**

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

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

The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The funding arrangements for police officers' pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a 'pay as you go' basis with the cost charged to the revenue account. From April 2006 onwards there is an employer's contribution rate set by the Home Office (21.3% of pensionable salary for 2015/16 and 2016/17 (previously 24.2%)), which is charged to the Comprehensive Income and Expenditure Statement. In addition, the Constabulary is required to make an additional contribution to the Police Pension Fund Account which equates to 2.9% of pensionable pay to fund the difference between the contributions calculated with the current and previous rates. The pension contribution rates were last reviewed in March 2012.

The Commissioner and employees pay contributions into a separate pensions fund account administered by the Commissioner from which on-going pensions liabilities are met. At the year-end any surplus or deficit on the pensions fund account is paid to or met by the Commissioner who then repays or is reimbursed by the Home Office.

Annex C – Technical Annex – Pensions Disclosures

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 96-97). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the Police Fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office.

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

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

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

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

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

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

Accounting Policy – Post-Employment Benefits – CIES Entries/Charges to the Police Fund

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

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

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

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

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

Annex C – Technical Annex – Pensions Disclosures

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

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

Pension Transactions in MIRS and CI&ES	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme		Group Total Pension Schemes	
	2015/16 £000s	2016/17 £000s	2015/16 £000s	2016/17 £000s	2015/16 £000s	2016/17 £000s	2015/16 £000s	2016/17 £000s	2015/16 £000s	2016/17 £000s	2015/16 £000s	2016/17 £000s
Comprehensive Income and Expenditure Statement												
<i>Cost of Services</i>												
<i>Service cost comprising:</i>												
• Current service cost	4,426	3,809	0	0	12,730	8,060	360	220	6,400	6,320	23,916	18,409
• (Gain)/loss from settlements/curtailments	588	417	0	0	0	0	0	0	0	0	588	417
<i>Financing and Investment Income and Expenditure</i>												
• Net interest expense	1,000	860	40	39	36,380	34,090	1,060	1,170	150	450	38,630	36,609
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	6,014	5,086	40	39	49,110	42,150	1,420	1,390	6,550	6,770	63,134	55,435
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement												
<i>Remeasurement of the net defined benefit liability comprising:</i>												
• Return on plan assets (excluding the amount included in the net interest expense)	1,635	(15,344)	0	0	0	0	0	0	0	0	1,635	(15,344)
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	(1,562)	0	(5)	(16,720)	(22,790)	(560)	0	(130)	0	(17,410)	(24,357)
• Actuarial (gains) and losses arising on changes in financial assumptions	(10,581)	40,981	(39)	176	(91,120)	210,780	(7,450)	15,620	(780)	8,410	(109,970)	275,967
• Experience (gains) and losses on liabilities	0	(4,476)	0	(109)	(51,680)	(3,470)	7,320	40	30	(380)	(44,330)	(8,395)
• Administration expenses	90	101	0	0	0	0	0	0	0	0	90	101
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(8,856)	19,700	(39)	62	(159,520)	184,520	(690)	15,660	(880)	8,030	(169,985)	227,972
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(2,842)	24,786	1	101	(110,410)	226,670	730	17,050	5,670	14,800	(106,851)	283,407
<i>Movement in Reserves Statement</i>												
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(6,014)	(5,086)	(40)	(39)	(49,110)	(42,150)	(1,420)	(1,390)	(6,550)	(6,770)	(63,134)	(55,435)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	3,046	3,910	67	64	0	0	0	0	0	0	3,113	3,974
• Retirements benefits payable to pensioners	0	0	0	0	28,880	30,590	(210)	10	(2,570)	(2,740)	26,100	27,860
Total amount charged against the Police Fund Balance for pensions in the year	3,046	3,910	67	64	28,880	30,590	(210)	10	(2,570)	(2,740)	29,213	31,834

Annex C – Technical Annex – Pensions Disclosures

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

Pension Transactions in MiRS and CI&ES	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits		PCC Total LGPS Pension Scheme	
	2015/16 £000s	2016/17 £000s	2015/16 £000s	2016/17 £000s	2015/16 £000s	2016/17 £000s
Comprehensive Income and Expenditure Statement						
<i>Cost of Services</i>						
<i>Service cost comprising:</i>						
• Current service cost	126	126	0	0	126	126
• (Gain)/loss from settlements/curtailments	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>						
• Net interest expense	24	21	1	1	25	22
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	150	147	1	1	151	148
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement						
<i>Remeasurement of the net defined benefit liability comprising:</i>						
• Return on plan assets (excluding the amount included in the net interest expense)	36	(926)	0	0	36	(926)
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	(39)	0	0	0	(39)
• Actuarial (gains) and losses arising on changes in financial assumptions	(227)	913	(1)	5	(228)	918
• Experience (gains) and losses on liabilities	0	584	0	1	0	585
• Administration expenses	3	3	0	0	3	3
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(188)	535	(1)	6	(189)	541
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(38)	682	0	7	(38)	689
<i>Movement in Reserves Statement</i>						
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(150)	(147)	(1)	(1)	(151)	(148)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>						
• Employers' contributions payable to the scheme	69	116	2	2	71	118
• Retirements benefits payable to pensioners	0	0	0	0	0	0
Total amount charged against the Police Fund Balance for pensions in the year	69	116	2	2	71	118

Annex C – Technical Annex – Pensions Disclosures

C2 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

The underlying assets and liabilities for retirement benefits attributable to the Group at 31 March 2017 are as follows:

Pension Scheme Assets & Liabilities	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(134,244)	(176,229)	(1,137)	(1,174)	(971,330)	(1,167,410)	(32,890)	(49,930)	(8,240)	(25,780)
Fair value of plan assets	109,158	130,267	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(25,086)	(45,962)	(1,137)	(1,174)	(971,330)	(1,167,410)	(32,890)	(49,930)	(8,240)	(25,780)

The liabilities in the above table show the underlying commitments that the Commissioner has, in the long run, to pay retirement benefits. The total group liability of £1.290m (£1.039m at 31 March 2016) has a substantial impact on the net worth of the Commissioner as recorded in the group balance sheet, resulting in a negative overall balance of £1.216m (£0.964m at 31 March 2016).

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

- the deficit on the local government scheme will be made good by increased contributions and changes to benefits over the remaining working life of employees, as assessed by the scheme actuary
- finance is only required to be raised to cover police pensions when the pensions are actually paid.

The underlying assets and liabilities for retirement benefits attributable to the PCC Single Entity at 31 March 2017 are as follows:

Pension Scheme Assets & Liabilities	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2015/16	2016/17	2015/16	2016/17
	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(3,272)	(4,928)	(33)	(38)
Fair value of plan assets	2,618	3,708	0	0
Net liability arising from defined benefit obligation	(654)	(1,220)	(33)	(38)

Annex C – Technical Annex – Pensions Disclosures

Reconciliation of present value of scheme liabilities for the group:

Reconciliation of Scheme Liabilities	Group LGPS		Group LGPS		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	Funded Benefits	2015/16	2016/17	Unfunded Benefits	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(136,522)	(134,244)	(1,203)	(1,137)	(1,110,620)	(971,330)	(31,950)	(32,890)	0	(8,240)
Current service cost	(4,426)	(3,809)	0	0	(12,730)	(8,060)	(360)	(220)	(6,400)	(6,320)
Interest cost	(4,615)	(4,798)	(40)	(39)	(36,380)	(34,090)	(1,060)	(1,170)	(150)	(450)
Contributions by Scheme Participants	(1,166)	(1,098)	0	0	(2,670)	(2,280)	(90)	(80)	(2,540)	(2,830)
Remeasurement gains and (losses):										
- Arising from changes in demographic assumptions	0	1,562	0	5	16,720	22,790	560	0	130	0
- Arising from changes in financial assumptions	10,581	(40,981)	39	(176)	91,120	(210,780)	7,450	(15,620)	780	(8,410)
- Experience gains/(losses)	0	4,476	0	109	51,680	3,470	(7,320)	(40)	(30)	380
Gains/(losses) on curtailment	(588)	(417)	0	0	0	0	0	0	0	0
Benefits Paid/Transfers	2,492	3,080	67	64	31,550	32,870	(120)	90	(30)	90
Balance at End of Year	(134,244)	(176,229)	(1,137)	(1,174)	(971,330)	(1,167,410)	(32,890)	(49,930)	(8,240)	(25,780)

The liabilities under both the LGPS and Police Pension Schemes have increased during 2016/17. The principal reason for this increase is in relation to a change in financial and demographic assumptions by the scheme actuaries.

Accounting Policy – Post-Employment Benefits – Measurement of Liabilities

The liabilities of each of the pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate (see assumptions set out in C3 on page 120).

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

Annex C – Technical Annex – Pensions Disclosures

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

Reconciliation of Scheme Liabilities	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2015/16 £000s	2016/17 £000s	2015/16 £000s	2016/17 £000s
Balance at Start of Year	(3,248)	(3,272)	(35)	(33)
Current service cost	(126)	(126)	0	
Interest cost	(107)	(116)	(1)	(1)
Contributions by Scheme Participants	(46)	(46)	0	
Remeasurement gains and (losses):				
- Arising from changes in demographic assumptions	0	39	0	0
- Arising from changes in financial assumptions	227	(913)	1	(5)
- Experience gains/(losses)	0	(584)	0	(1)
Gains/(losses) on curtailment	0	0	0	0
Benefits Paid/Transfers	28	90	2	2
Balance at End of Year	(3,272)	(4,928)	(33)	(38)

The liabilities under the LGPS Pension Scheme have increased during 2016/17. The principal reason for this increase is in relation to a change in financial and demographic assumptions

Annex C – Technical Annex – Pensions Disclosures

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

Reconciliation of Scheme Assets	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits	
	2015/16	2016/17	2015/16	2016/17
	£000s	£000s	£000s	£000s
Balance at Start of Year	105,548	109,158	0	0
Interest Income	3,615	3,938	0	0
Remeasurements - Gains and (Losses)	(1,635)	15,344	0	0
Administration Expenses	(90)	(101)	0	0
Employer Contributions	3,046	3,910	67	64
Contributions by Scheme Participants	1,166	1,098	0	0
Benefits Paid	(2,492)	(3,080)	(67)	(64)
Balance at End of Year	109,158	130,267	0	0

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

Reconciliation of Scheme Assets	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2015/16	2016/17	2015/16	2016/17
	£000s	£000s	£000s	£000s
Balance at Start of Year	2,487	2,618	0	0
Interest Income	83	95	0	0
Remeasurements - Gains and (Losses)	(36)	926	0	0
Administration Expenses	(3)	(3)	0	0
Employer Contributions	69	116	2	2
Contributions by Scheme Participants	46	46	0	0
Benefits Paid	(28)	(90)	(2)	(2)
Balance at End of Year	2,618	3,708	0	0

Accounting Policy – Post-Employment Benefits – Measurement of Assets

The assets of the LGPS pension fund are included in the Balance Sheet at their fair value:

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

Annex C – Technical Annex – Pensions Disclosures

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

LGPS Asset Breakdown	Quoted Y/N	PCC 2015/16		PCC 2016/17		Group 2015/16		Group 2016/17	
		£000s	%	£000s	%	£000s	%	£000s	%
Equities									
UK Quoted	Y	345	13.18%	477	12.86%	14,407	13.20%	16,803	12.90%
Global Quoted	Y	492	18.79%	745	20.09%	20,522	18.80%	26,183	20.10%
UK Equity Pooled	N	92	3.51%	37	1.00%	3,821	3.50%	1,303	1.00%
Overseas Equity Pooled	N	432	16.50%	623	16.80%	18,011	16.50%	21,885	16.80%
Bonds									
UK Corporate Bonds	Y	181	6.91%	234	6.31%	7,532	6.90%	8,207	6.30%
Overseas Corporate Bonds	Y	10	0.38%	11	0.30%	436	0.40%	391	0.30%
UK Government Indexed Pooled	N	469	17.91%	723	19.50%	19,540	17.90%	25,402	19.50%
Property									
UK	Y	202	7.72%	260	7.01%	8,406	7.70%	9,119	7.00%
Property Funds	N	94	3.59%	115	3.10%	3,929	3.60%	4,038	3.10%
Alternatives									
Private Equity Funds	N	55	2.10%	93	2.51%	2,292	2.10%	3,257	2.50%
Infrastructure Funds	N	144	5.50%	219	5.91%	6,004	5.50%	7,686	5.90%
Real Estate Debt Funds	N	18	0.69%	33	0.89%	764	0.70%	1,172	0.90%
Private Debt Funds	N	0	0.00%	19	0.51%	0	0.00%	652	0.50%
Cash									
Cash Accounts	Y	81	3.09%	115	3.10%	3,384	3.10%	4,038	3.10%
Net Current Assets	N	3	0.11%	4	0.11%	110	0.10%	131	0.10%
		2,618	100.00%	3,708	100.00%	109,158	100.00%	130,267	100.00%

C3 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which provides an estimate of the pensions that will be payable in future years using assumptions about mortality rates, salary levels, etc. William M Mercer, an independent firm of actuaries, has carried out the assessment on the Local Government Pension Scheme. These accounts are based on the actuarial valuation undertaken on 31 March 2017. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

Accounting Policy – Pensions Material Estimation Techniques

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

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

- 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
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested or not.

For 2016/17 a discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuaries for the Police and LGPS pension funds have advised that a rate of 2.6% is appropriate.

Annex C – Technical Annex – Pensions Disclosures

The principal assumptions used by the actuary have been:

Actuarial Assumptions	LGPS		Police Scheme	
	2015/16	2016/17	2015/16	2016/17
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	23.1	23.1	23.1	23.2
- Women	25.7	25.7	25.1	25.2
Longevity at 65 for future pensioners:				
- Men	25.9	25.4	25.1	25.2
- Women	28.9	28.4	27.2	27.3
Rate of Inflation (CPI)	2.00%	2.30%	2.20%	2.35%
Rate of increase in salaries	3.50%	3.80%	1.00%	1.00%
Rate of increase in pensions	2.00%	2.30%	2.20%	2.35%
Rate of Revaluation for CARE Pensions	-	-	3.45%	3.60%
Rate for discounting scheme liabilities	3.60%	2.60%	3.55%	2.65%

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

Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	PCC			Group		
	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme						
Longevity (1 Year increase in life expectancy)	97	4	3	3,494	123	92
Rate of Inflation (increase by 0.1%)	98	5	3	3,850	177	102
Rate of Increase in Salaries (increase by 0.1%)	19	0	1	919	0	25
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(97)	(5)	(1)	(3,770)	(169)	(56)

Annex C – Technical Annex – Pensions Disclosures

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Police	Group	Police
	Pensions	Pensions	Pensions
	1987	2006	2015
	Scheme	Scheme	Scheme
	£000s	£000s	£000s
Assumption Sensitivity			
Longevity (1 Year increase in life expectancy)	29,900	1,100	600
Rate of Increase in Pensions (increase by 0.5%)	102,500	5,200	5,300
Rate of Increase in Salaries (increase by 0.5%)	9,900	3,700	-
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(105,800)	(8,300)	(4,400)
Early retirement (each member retiring 1 year later than expected)	(1,500)	(200)	300

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

C4 Impact on the Commissioner's Cash Flows

The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The Commissioner has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 16 years. Funding levels are monitored on an annual basis. The next triennial valuation will take place during 2019/20 based on the position at 31 March 2019. Any change in contribution rates as a result of this valuation will be applicable from 1 April 2020.

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

The total group contributions expected to be made to the Local Government Pension Scheme by the Commissioner in the year to 31 March 2018 are £2,854k (PCC single entity £84k). Expected contributions for the Police Pension Scheme in the year to 31 March 2018 are £9,564k.

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

Weighted Average Duration of the Defined benefit Obligation	2015/16	2016/17
	Years	Years
Pensions Scheme		
Local Government Pension Scheme - PCC	21	20
Local Government Pension Scheme - CC	26	22
Police Pension -1987 Scheme	21	20
Police Pension -2006 Scheme	37	37
Police Pension -2015 Scheme	37	39



Police and Crime Commissioner for Cumbria

Annual Governance Statement 2016/17

Peter McCall

Subject to Audit

Annex D – Annual Governance Statement

The Police and Crime Commissioner for Cumbria Annual Governance Statement 2016-17

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

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

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

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

This Annual Governance Statement (AGS) describes how the Commissioner has followed The Code. It also meets the requirements of regulation 6(1) and 10(1) of the Accounts and Audit Regulations 2015. The regulations say that we must prepare and publish an Annual Governance Statement (AGS) to

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

accompany the Commissioner's statement of accounts.

THE AIM OF THE GOVERNANCE FRAMEWORK

The governance framework consists of the systems, processes, culture and values by which the Commissioner is directed and controlled and the activities through which the Commissioner is involved with and leads the community. The framework enables the Commissioner to monitor the achievement of our aims and objectives and to consider whether those aims have led to the delivery of appropriate efficient and effective police, community safety and victim services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The Commissioner is responsible for reviewing, at least annually, the effectiveness of his governance framework including the system of internal control.

REVIEW OF EFFECTIVENESS

The key systems and processes that comprise the Commissioner's governance arrangements for 2016-17 have been guided by the seven core principles of Corporate Governance from the CIPFA/Solace Governance Framework applicable to the 2016-17 financial year. This is the standard against which all local government bodies, including police, should assess themselves.

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:

Seven Core Principles of Governance

- *Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*
- *Principle B: Ensuring openness and comprehensive stakeholder engagement*
- *Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits*
- *Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes*
- *Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it*
- *Principle F: Managing risks and performance through robust internal control and strong public financial management*
- *Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability*

- A cyclical detailed review of the key documents within the Commissioner's governance framework.

- A review of the governance arrangements in place to support each core principle, culminating in an updated Code of Corporate governance.

- A review of what has happened during the past year to evidence how the governance framework has been complied with.

- A review of the effectiveness of the arrangements for Internal Audit. The review is supported by consideration of the opinion of the Chief Internal Auditor, as set out in her annual report.

- A review of the effectiveness of the Joint Audit and Standards Committee against CIPFA guidance on Audit Committees for Police.

As part of the review process, the Annual Governance Statement (AGS) is prepared. Whilst no significant governance issues have arisen as part of the review for 2016-17, the AGS includes a plan that identifies areas for development and improvement. The AGS remains under review and subject to update during the audit of the financial statements. The following paragraphs set out the Governance Framework and how the Commissioner has complied with each of the seven governance principles within the Code of Corporate Governance. A wide range of staff have contributed narrative for each section of this statement. This provides a lengthier document but one which values the input from members of our team and provides the reader with greater insight into the governance activity that has been carried out over the past year.

Annex D – Annual Governance Statement

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Ethics and Integrity

The Commissioner has in place arrangements for anti-fraud and corruption. The arrangements in place during 2016-17 have been subject to internal review by the Deputy Monitoring Officer, with the outcome of that review reported to the Joint Audit and Standards Committee in May 2016. The review has concluded that arrangements are effective. Whilst fraud risk remains low within the OPCC office, matters of integrity have been re-enforced in support of the aim of ensuring a high degree of awareness amongst staff in respect of appropriate conduct and behaviours. The Deputy Monitoring Officer has issued a monthly reminder to staff in respect of recording gifts and hospitality and/or supplier contact. Completed registers have been published on the Commissioner's website on a monthly basis and the Deputy Monitoring Officer has undertaken dip sampling between the registers and contracting activity.

During 2016-17, the financial regulations and financial rules were reviewed and updated. That process included aligning the format and presentation of the documents to aid their accessibility.

In 2016-17 The OPCC Grant Regulations were reviewed to align with the development of a new Police and Crime Plan. The process included aligning the format and content of the document to reflect

the changes in available funds and the strategic direction of the Police and Crime Plan. To facilitate this process and to ensure the Grant Regulations were reviewed in a thorough and systematic approach, staff from the Office of Police and Crime Commissioner and the Constabulary's Legal Services and Procurement Department worked collaboratively in aligning the Grant Regulations to reflect changes in legislation and strategic direction. A copy of the proposed draft Grant Regulations were submitted to the OPCC Executive Team and Joint Audit Standards Committee for consultation.

The Grant Regulations aim to ensure that grant awards are made in a fair, transparent and consistent manner, ensuring the highest standards of probity and accountability. They also ensure that the processes that underpin the decision making are robust and that the terms and conditions applied to grant agreements are appropriate to the amount of the grant award and the purpose of which it has been made.

Our procedures aim to safeguard public money, support decisions that direct funding towards activity and interventions that will have the greatest impact on reducing crime and reoffending and deliver the best possible outcomes for victims. The Grant Regulations operate alongside the Joint Procurement Regulations and OPCC Commissioning Strategy.

In support of the requirements for audit of the financial statements, the Commissioner has submitted to the External Auditor the 2016-17 fraud

Annex D – Annual Governance Statement

risk assessment. Management assurance is further supported through the completion by the Commissioner and all staff of a declaration of related party transactions.

In respect of the arrangements for standards, ethics and integrity, the Chief Executive is able to confirm that since the inception of the Office of the Police and Crime Commissioner, no complaints have been received from any member of staff or secondee in relation to the Commissioner. Neither has any complaint been made by the Commissioner about any member of staff. In respect of the period from 1st April 2016 to the date of issuing this statement, no issues have been raised with the Joint Audit and Standards Committee in respect of the operation of the Commissioner's Codes of Conduct/Protocols and the Committee has not received any appeals in relation to these matters. The Ethics and Integrity Panel continue to provide independent oversight for the OPCC and Constabulary in relation to standards, ethics and integrity.

As part of the arrangements for complaints, the Commissioner also receives letters directly from members of the public. In 2016 he received 34 complaints, 30 of which were passed to the Constabulary to respond to as they were regarding matters beyond his jurisdiction. Of the remaining complaints, in each case it was determined that the issues raised were not personal conduct matters.

During the same period the Commissioner received 318 letters of dissatisfaction raised by members of the public regarding the Constabulary and policing issues. These issues were raised with the Constabulary and monitored by OPCC staff to ensure a timely and appropriate solution was found.

Complaints made against the Police and Crime Commissioner are dealt with by the Police and Crime Panel. During 2016-17 the Panel received two complaints regarding the previous Commissioner (Mr Rhodes) which were dealt with by way of a letter of explanation. Letters of compliment were also received from members of the public for the assistance provided by the Police and Crime Commissioner and members of staff.

During 2016-17 the Ethics and Integrity Panel have carried out dip sample processes and thematic inspections for a number of different areas of business. For the OPCC these included the reviewing of complaints received and their handling in line with statutory legislation and guidance. In addition 'Quality of Service and Policing Issues' (QSPI) which were raised by members of the public were also reviewed. The Panel subsequently confirmed their assurance that they were dealt with appropriately. On a six monthly basis the OPCC analyse information relating to the QSPIs to identify any trends or patterns, how the OPCC has facilitated an outcome and any organisational learning for itself or the Constabulary. This is subsequently discussed with the Constabulary and reported to the Commissioner and the Ethics and Integrity Panel.

These include public complaints, police misconduct and staff misconduct cases all of which were found to support high standards of ethics and integrity. Following each session any actions identified were scheduled and monitored to ensure their completion. The Panel gained assurance that improvements previously proposed adopted by the Constabulary and OPCC were continuing to be used and developed further where necessary. These sessions also enabled the Police and Crime

Annex D – Annual Governance Statement

Commissioner to fulfil his statutory duty to have oversight of the Constabulary's complaints and misconduct processes.

Three thematic inspections were carried out during the year. These being in relation to the Constabulary's Performance Discretion Framework, the use of Stop and Stop/Search and the policing of the 2016 Kendal Calling Festival. These inspections enabled the Panel to take an independent review of the identified areas of work and gain assurance of the ethical standards used. They achieved this by carrying out dip sample sessions on all three areas of work and speaking with Constabulary lead officers and Chief Officers.

The findings of the Panel's work, including recommendations, have been reported on a quarterly basis to the Commissioner's Public Accountability Conference to improve transparency and support public scrutiny. The Joint Audit and Standards Committee received the 2016-17 annual report of the Ethics & Integrity Panel in May 2017 to support assurances in respect of arrangements for standards and ethical governance.

Respecting the rule of law

Officers within the OPCC receive updates on changes in legislation through their professional bodies, APACCE, PACTS, the APCC and from the government (Home Office, Ministry of Justice, GOV.uk) and other sources. Best practice advice is

similarly available. Local networks, such as the Cumbria Monitoring Officers' Group is another source of updates and peer support.

During the course of 2016/17 the OPCC has jointly funded a Legal Advisor post in the Constabulary's Legal Services Department that will directly support the OPCC. This post provides legal input on various legal documents (licenses, leases, collaboration agreements, etc.). The post holder also supports the procurement and grant aiding functions within the OPCC. The post holder will be fully engaged in the review of OPCC governance being undertaken during 2017.

During the year a formal review has been undertaken of the role of the Commissioner's Chief Finance Officer and the Head of Internal Audit (HIA) against the respective CIPFA statements. The self-assessment were subject to further review by the Joint Audit and Standards Committee. The outcome from the process has concluded that the Chief Finance Officer and HIA are fully compliant with the CIPFA role. The role of the Joint Audit and Standards Committee has also been reviewed during 2016-17 against the CIPFA guidance for Police Audit Committees. The overall conclusions from the assessment is that the committee is highly effective in its operation, evidencing substantial support, influence and persuasion in carrying out its functions.

Annex D – Annual Governance Statement

Principle B: Ensuring openness and comprehensive stakeholder engagement

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Openness

The Commissioner operates in accordance with the Elected Local Policing Bodies (Specified Information) Orders of 2011, 2012, 2013 and the guidance provided by the Information Commissioner. This is demonstrated, documented and communicated through an information publication scheme that ensures the openness of all key information to the public.

To support openness a range of information has been made available through the Commissioner's website over the course of the year. This has included agenda and reports for the Public Accountability Conferences and the Joint Audit and Standards Committee, guidance and application packs for the Commissioner's three funds, Freedom of Information disclosure logs, financial information and strategies. In April and May 2016 a section of the website provided information relevant to potential candidates for the Police and Crime Commissioner elections to be held in May 2016.

To promote openness and transparency, all Public Accountability Conferences have been advertised to allow members of the press and public to attend with agendas and papers published on the Commissioner's website and the local media informed.

The Commissioner makes decisions in line with his decision making policy which adheres to the Good

Governance Standard for Public Services and the Good Administrative Practice 2. During the 2016-17 financial year the Commissioner made 32 decisions that have all been recorded and published on the Commissioner's website. The range of decisions made included finance and budget, estate, policies, police and crime plan, annual report, policing services and commissioning. All methods of communication such as media, social media and newsletters are used to further inform the public of key decisions.

Unfortunately, on 18 January 2017 the OPCC website became unavailable due to technical issues experienced by the provider. The provider was unable to restore the website, but on 24 January was able to provide a link to an archived version of the website; on the same day a holding page was established using the functionality of the Constabulary website on which new items could be placed – both the holding page and archived site could be accessed through a Google search for the Commissioner/OPCC. The contract with the provider expired at the end of March and on 31 March a new website provided by a new supplier went live. Clearly there was a period of one week when the OPCC was unable – via the website - to fulfil its obligations under the Elected Local Policing Bodies (Specified Information) Orders of 2011, 2012, 2013. While not seeking to minimise this matter it should be viewed in the context that Google Analytics has shown that the number of people accessing information, other than during periods of recruitment or high profile media events, is not high and during the first three months of 2017 there were no requests made to the OPCC by

Annex D – Annual Governance Statement

telephone, e-mail or post seeking information that might otherwise have been available via the website. It is also the only time since the introduction of Police and Crime Commissioners that access to the website has not been available.

Engaging Comprehensively with Institutional Stakeholders

The Commissioner chairs the Safer Cumbria Direction Group which is both the county-wide Community Safety Partnership and Criminal Justice Board for Cumbria. As such it is composed of all the authorities and agencies involved in criminal justice in Cumbria, such as the County Council, District Council, Constabulary, CPS, Courts Service, probation bodies, the Prison Service, Local Safeguarding Children Board and others. It provides a valuable opportunity for stakeholders to discuss issues and consider jointly strategic priorities.

The Commissioner is also a member of the Cumbria Leaders' Board, which is the forum for the Leaders of all the public authorities (County and District Councils, Cumbria Association of Parish Councils) Health, the Local Enterprise Partnership and the Third Sector within Cumbria. It is the vehicle for discussion and consultation with this group of stakeholders.

During 2016-17 the Head of Partnerships and Commissioning has taken forward a range of partnership working initiatives to deliver the Commissioning Strategy and ensure arrangements are in place for victims support services in line with the Commissioner's responsibilities. This work is supported by the Victims' Advocate who has

responsibility for the overall arrangements for victims.

The Commissioner, through his Victim's Advocate, created a Victim's Consultation Group, who operate in a 'focus group' style to look in depth at certain policy issues at the time of policy formation. This year the group provided secondary scrutiny for cases subject to audit at the Out of Court Scrutiny panel meetings.

During 2016-17 partnership and commissioning Funding was provided to support a range of sexual and domestic violence services and in excess of £100k of funding was awarded to community groups through the Commissioner's community fund. The Commissioner's funds and the process for allocation of grants within them has been developed to encourage and support the delivery of projects and services addressing issues identified in the Police and Crime Plan.

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

The approach taken to develop the new Police and Crime Plan, published in November 2016, was endorsed by the Police and Crime Panel. In addition to consultation with stakeholders and the public to ascertain their views three key documents contributed to the development of the plan –

Annex D – Annual Governance Statement

Victims Needs Assessment, Young person's feedback via the 'Risky Business project' and a Sexual Violence Needs Assessment. The Police and Crime Plan states how the Commissioner will work in partnership to deliver the Police and Crime Plan where he advocates a 'we not they' approach.

The new Plan was reviewed and approved by the Police and Crime Panel and Constabulary prior to publication in accordance with statutory requirements.

Engaging Stakeholders Effectively including Citizens and Service Users

The Policing Protocol Order highlights the accountability of the Police and Crime Commissioner to local people. This responsibility is delivered through the OPCC to ensure a wide range of engagement approaches so that the Commissioner actively listens, considers and effectively uses the views of the people of Cumbria and is accountable.

The Commissioner is directly involved in many of the engagement activities and is aware of the issues being raised by members of the public. The OPCC on a regular basis formally reports to the Commissioner identifying trends and linking to the development of the Police and Crime Plan and decision making.

During 2016-17, one of the key messages that has been promoted is the Commissioner's ethos of 'we, not they', to emphasise that communities, stakeholders and partners need to all work together to help deliver the Police and Crime Plan, and keep Cumbria safe. In terms of delivering this message, and to increase the profile of the new

Commissioner, a wide range of activities were carried out, including:

- Public surgeries/drop-ins were held through May, June and July, in Barrow, Carlisle, Workington, Penrith and Kendal. Then during November and December they were held in Millom, Silloth, Wigton, Longtown Auction Mart, Kirkby Lonsdale, and J36 Auction Mart.
- The Commissioner carried out numerous speaking engagements including: Castle Sowerby Parish Council, Brough Parish Council, Rotary Club Carlisle, Lakes Parish Councils and Workington foodbank. Other venues include Mothers Union Maryport, Solway Community Technical College and Newton Rigg.
- The Commissioner also attended the Westmorland Show, Cumbria Pride, the Skelton Show and Wigton Carnival, Preston Military Show.
- He has met with a diverse range of community groups including Carlisle Youth Zone, Mencap, Cumbria Youth Alliance, AWAZ and Lesbian, Gay, Bisexual and Transgender (LGBT) groups.
- The Commissioner also undertook various media engagements to promote awareness and spread key messages. For instance in May he attended The Bridgeway Sexual Assault Referral Centre to help promote the county-wide Sexual Assault Support Services. He also attended an event at the LGBT HQ in

Annex D – Annual Governance Statement

Carlisle, to help promote International Day Against Homophobia.

- He attended The Well in Barrow, to see first-hand the work that is going on there which has been partly funded by the OPCC. The funding has enabled The Well Communities Project to recruit, train and develop a network of 10 peer-led recovery champions who will work with ex-offenders, veterans and others seeking recovery from drug and alcohol dependency. The champions will support and motivate people taking part in the Project to take control of their recovery, encourage individuals to train and gain new skills.
- He has met other community groups that have been funded by the OPCC, to help local people tackle some of the priorities in the Police and Crime Plan such as anti-social behaviour and projects aimed at crime prevention, and tackling crime and disorder. These include Wigton Amateur Boxing Club, Kie Skate Park, and Carlisle Youth Zone, where the OPCC funded a mentoring programme. The aim of the mentoring programme is to keep youngsters out of trouble, and Carlisle Youth Zone had developed a holistic preventative approach, targeted at those young people who are experiencing difficulties in their life, and who needed a positive role model. The programme, in its second year, is proving very successful, with many youngsters already benefitting from the experience.

- In October, the Commissioner took part in Advocates Against Abuse training, which he commissioned using Home Office Funding. The training aims to create a network of people that are able to offer support to victims of domestic abuse.
- The Commissioner also funded a survey through Outreach, to assess what barriers there are that stops those from the LGBT community reporting sexual assault.
- The Commissioner also part funds and makes use of Cumbria Community Messaging, which is managed by the Cumbria Neighbourhood Watch Association (CNWA), and offers people and communities across Cumbria the means to receive information from agencies in the county tailored to their particular preferences for content, priority and means of communication. It is a web based system and registration is quick, simple and completely free;
- The OPCC has a website which generally received about 1500 hits per month;
- We also maintain a social media presence, using Twitter and Facebook;
- A bi-monthly newsletter is also widely distributed, and provides a round-up of recent activity and announcements on forthcoming dates, consultations etc.

The Commissioner's Public Accountability Conference meets in public with meetings regularly attended by various representatives of the media and members of the public. There is a facility for

Annex D – Annual Governance Statement

members of the public to ask questions of the Commissioner, which has been used by one person in the course of the year, at the 6th September 2016 meeting. The media attend regularly with good coverage across the local media.

The Commissioner carried out a wide range of public engagement events over the year to provide as many opportunities as possible for the public to engage with him, through a diverse range of communication and engagement methods.

Public consultation is one of the many methods of engagement that has been used this year. The Commissioner launched a public consultation on 20 June 2016, which ran until 12 August 2016, to establish what the public considered their policing priorities. This was to help shape the Police and Crime Plan for 2016-2020.

The consultation involved an on-line and paper survey, as well as a number of surgeries and roadshows across the county. In addition to the surgeries mentioned above, there were also roadshows in Whitehaven and Barrow, where the Commissioner and his staff encouraged people to share their views on policing priorities. He also hosted an on-line meeting, to offer an alternative way of engagement. The consultation received wide media and social media coverage.

The survey asked people to select from a list what they believed the top five policing priorities for Cumbria should be.

A total of 524 people completed the survey and the top five priorities were identified as:

- Ensuring the police tackle crime and anti-social behaviour;
- Providing a visible police presence;
- Tackling grooming and child sexual exploitation;
- Tackling domestic abuse;
- Improving services for people with mental health conditions and reduce the demand of crisis situations on the police.

This information, together with the feedback from other stakeholders and partners, the Chief Constable and the Police and Crime Panel, has been used to shape the Police and Crime Plan. The Plan was launched in November 2016. This is a good example of 'You said, we did'.

The Commissioner also carried out a 'light touch' consultation around the setting of the policing precept for 2017-2018 budget. The Commissioner, via social media, broadcast media and printed media, invited members of the public to get in touch to express their views on the proposal to set the precept at 1.91%. The Commissioner also consulted the Chief Constable and the Police and Crime Panel. The feedback from all areas was support for the increase, so that enabled the Commissioner to set the budget with a high degree of confidence that this represented the views of the public.

In terms of how public engagement feedback has been used to influence strategic decisions going forward, there are a number of areas where this can be seen:

The Police and Crime Plan – was developed through the consultation as described above;

Annex D – Annual Governance Statement

The Policing Budget - Previous and on-going consultation informed the decision on the level of police precept;

Quality of Service Issues – through the public raising issues, the Commissioner is able to raise concerns with the Chief Constable and monitor improvements, for instance complaints about the level of 101 call handling;

Good consultation – the range and diversity of communication and consultation methods has enabled us to demonstrate engagement across the demographics spectrum.

Going forward, there will be a focus on increased engagement with:

- agricultural/rural sector;
- business community;
- Youth community.

The Commissioner receives correspondence from members of the public on a variety of issues including complaints or dissatisfaction. These are dealt with in accordance with statutory legislation and agreed policy and procedures. Where issues are identified they are raised with the Constabulary and where necessary steps are taken to ensure changes to services are made. During 2016-17 work has been undertaken to identify trends in complaints and these have been reported to the Commissioner. The trends are used to give feedback to the Constabulary to help to improve the standard of service received and influence future commissioning for areas which require additional support.

Annex D – Annual Governance Statement

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Defining Outcomes

The Police Reform and Social Responsibility Act (PR&SRA) requires the Commissioner to produce a Police and Crime Plan setting the vision and strategic direction for policing, crime reduction and community safety. A new Police and Crime Plan was launched in November 2016, following the appointment of a new Police and Crime Commissioner for Cumbria.

The Police and Crime Plan 2017/2020 contains the police and crime objectives which all contribute toward achieving the PCC's overall aim 'to make Cumbria an even safer place'. Each objective is supported by actions that the Constabulary and/or partners will undertake to contribute to successful outcomes. These objectives and actions are underpinned by performance measures used to assess how well the objectives are being achieved. The performance measures are set out in the PCC's Performance Management Framework. The Accountability Framework, HMIC Inspections and Value for Money Reports support the Commissioner in holding the Chief Constable to account around the performance, efficiency and effectiveness of the force.

The priorities within the plan are to:

1 Your Priorities For Cumbria

- Get Feedback from members of the public across the county to understand what they think the Police's priorities should be;

- Support and enable community groups to prevent and tackle crime and disorder in their area;

2 A Visible and Effective Police Presence

- Look at how we provide visible uniformed policing in our communities. Make sure the Police are engaged in our local communities to understand local issues;
- Make sure the Police understand and are tackling the types of crimes which are affecting people today;
- Collaborate with other forces and agencies in specialist areas;
- Make improvements in the areas which recent inspections of the Police found could be done better;
- Make sure the Police are ready to deal with threats which develop in or affect a wider area than Cumbria, including civil emergencies/natural disasters, terrorism, cyber-attacks, organised crime and public order.

3 Tackle Crime and Anti-Social Behaviour

- Tackle domestic abuse early on to stop people suffering;
- Address hate crime and make it clear it will not be tolerated; Address crime which affects people in rural parts of the county; Be proactive in tackling anti-social behaviour;
- Make it easy and effective to report crime and anti-social behaviour; Tackle alcohol and substance misuse, including new psychoactive substances; Focus on serious and organised crime;

Annex D – Annual Governance Statement

- Target speeding and dangerous driving;
- Protect the vulnerable and elderly from crime e.g. cyber and online

4 Ensure Offenders Face A Consequence For Their Crime

- Manage offenders in the community after release from prison or a court sentence
- Give victims the chance to meet with or write to the person who committed the crime so they can explain the impact it has had (restorative justice)
- Make sure the Police give victims the opportunity to say how an offender should make amends for lower level crime (Community Remedy)

5 Always Put Victims First

- Support and give funds, where possible, to organisations offering help and support services to victims of crime, including enhanced services for more serious crimes and vulnerable victims;
- Listen to and stand up for the rights of victims;
- Make sure that agencies who work with victims of crime meet national standards (the national Code of Practice for Victims of Crime)
- Make it quicker and easier to get people who are having a mental health crisis to be taken to a place of safety and a suitable service so they get help quickly and police officers do not have to spend as much time doing this.

6 Focus our Police on Online and Sexual Crime

- Help members of the public to be aware of the risk of online crimes and keep themselves safe online;
- Prevent grooming, child sexual exploitation and sexual abuse;

- Make sure the Police have up-to-date information on crimes committed using a computer or computer network and that they are able to deal with this;

- Support services for victims of sexual crime, including child sexual exploitation and encourage more people to come forward.

7 Spend your Money Wisely

- Fight hard to protect the budget for policing Cumbria
- Stand up for Cumbria having its own police force
- Represent what Cumbria needs with national Government
- Make sure the Police are working as efficiently as possible;
- Look at how we can work with the Fire Service to make services better

8 Supporting Young People

- Set up a Youth Commission to get young people's feedback and engage them in helping to prevent and fight crime
- Improve how the Police interact with young people
- Support activities which provide positive opportunities for young people or which prevent young people from turning to a life of crime

Key performance indicators were set with the Chief Constable at the start of the financial year in support of the objectives within the new Police and Crime Plan. This is supported by a comprehensive Accountability Framework. The Accountability Framework, HMIC Inspections and Value for Money Reports support the Commissioner in holding the

Annex D – Annual Governance Statement

Chief Constable to account for performance of the force in relation to the effective and efficient way the force administers policing in Cumbria.

The Chief Constable is held to account for delivery of the objectives through the PCCs Public Accountability Conference, meetings are held bi-monthly and open to the public. A reporting Schedule is maintained and agreed with the Constabulary. The PCC monitors performance in a number of areas of policing including public protection (domestic abuse, sexual violence and child sexual exploitation), uniformed policing, offending and serious crime, rural crime, equality and diversity, finance, and ethics.

The PCC regularly reviews progress against his police and crime objectives. Where grants have been awarded, the awards will have been made against the timescales and milestones for delivery and included agreed success criteria or performance measures. The Partnerships and Commissioning Team have developed contract and grant management mechanisms for mitigating risks around non-delivery of service and for evaluating the progress against agreed milestones.

A Commissioning Strategy and framework combining procurement, partnership working and contract management, which describes our commissioning vision and objectives is currently under review. The document seeks to define how commissioning will support the challenges in Cumbria associated with empowering local communities and victims of crime; using innovation and shared working arrangements to tackle and prevent crime at its source and applying resources intelligently to secure effectiveness, efficiency and value for money. The strategy is intended to be

applied equally across the duties and responsibilities held by the Police and Crime Commissioner and wider partners.

The document defines commissioning and outlines the vision, values and principles that will underpin the commissioning of services by Cumbria Police and Crime Commissioner. The strategy looks at the drivers for change at a national and local level and describes the information used to support change and how it will be delivered at a local level.

Sustainable economic, social and environmental benefits

The Head of Partnerships and Commissioning ensures that the services commissioned are consistent with the PCC's objectives as set out in the Police and Crime Plan 2016-2020. For the financial year 2016/17, the PCC committed over £1.5m to projects and initiatives aimed at reducing offending and re-offending and supporting victims of crime. A significant proportion of that funding has been committed to supporting the reduction in domestic abuse and sexual violence, including a perpetrator programme 'Turning the Spotlight' aimed at changing behaviours of perpetrators whilst supporting the family in a holistic approach.

A joint **Social Value Policy** is in development between the Office of Police and Crime Commissioner and Constabulary Procurement Department. The document sets out the journey and aims to demonstrate how Cumbria will implement the Public Services (Social Value) Act 2012, how Cumbria will deliver social value through its commissioning and procurement activities, and set out Cumbria's priorities in relation to social value. The policy will require Cumbria and our suppliers to take

Annex D – Annual Governance Statement

responsibility for what is commissioned and procured, and to ethically and legally support us in delivering our social value priorities.

The policy will support existing organisational priorities, such as those included in the police and crime plan.

A comprehensive medium term financial strategy covering 2016-2020 was approved as part of the 2016-17 budget process. The strategy incorporated key objectives guiding the delivery of financial governance arrangements. It was supported by the financial services business plan setting out performance measures and targets for the 2016-17 financial year.

Subject to Audit

Annex D – Annual Governance Statement

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Planning & Determining Interventions

During the course of 2016/17 the Commissioner's Public Accountability Conference received Constabulary assurance covering a range of areas of performance including Her Majesty's Inspectorate of Constabulary (HMIC) performance measures to assess police effectiveness, efficiency and legitimacy (PEEL). The PEEL assessments for 2016 were assessed as 'good' for legitimacy and efficiency and effectiveness. The reports enable the Commissioner to hold the Chief Constable to account. They help inform revisions to existing priorities and the setting of new priorities to meet emerging trends and better support the delivery of outcomes.

Cumbria 'Out of Court Disposal Scrutiny Panel' was established in 2013 and is chaired by the Office of Police and Crime Commissioner. The intention of the panel is to provide transparency and accountability and to increase the public's understanding, confidence and trust in how the Constabulary uses OoCDs, with particular focus on the delivery of appropriate and proportionate justice. The purpose of the Scrutiny Panel is to independently review a selection of anonymised cases that have been resolved by use of an out of court disposal. The scrutiny panel has no referral or appeals capability and is not intended to re-judge cases. It will assess the relevant process, interactions and decisions to identify any areas for development and continuous organisational learning.

Out of Court Disposals allow the police to deal quickly and proportionately with low level, often first time, offending which can be appropriately resolved without a prosecution at court. Delivered ethically, effectively to the right people and in the right circumstances they provide swift and meaningful justice for victims, hold offenders accountable for their actions and reduce re-offending. The aim of the panel is to determine whether the method of disposal is considered appropriate, based on a review of the information/evidence available to the decision maker at the time.

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

These activities have included:

- Continuing the role of Chair of the Safer Cumbria Partnership Delivery Group, to tackle crime and disorder bringing together public services such as councils, health, probation and voluntary groups.
- Working with partners on an action plan to tackle hate crime.
- Working with leaders and chairs of the county's key public and voluntary sector agencies as a member of the Cumbria Leaders' Board

Annex D – Annual Governance Statement

- Working to help address alcohol, drug and mental health issues, often contributing factors in crime, through working jointly with Health and wider partners.
- Providing funding for Cumbria's three Community Safety Partnerships to tackle local issues in relation to crime and disorder, focusing on alcohol and drugs abuse, domestic violence, local crime prevention, and antisocial behaviour. Supporting community groups to reduce crime and tackle antisocial behaviour through a Police and Crime Property Fund, Community Fund and Innovation Fund.

During the year crime levels, public satisfaction and police performance have been regularly monitored and publically challenged through the Commissioner's Public Accountability Conference, regular performance review meetings and alongside audits and visits to departments.

The new Commissioner approved his first budget on February 22nd 2017 alongside a funding agreement that provided a £111m net revenue budget to the Chief Constable. The budget included funding to direct resources towards areas experiencing pressures and to respond the changing demands. This included funding for additional investigators in response to the growth in historic cases. Resources have also supported the continuity of temporary funding for quality case management. This funding aims to improve outcomes for victims, increasing the capabilities to identify suspects and strengthen arrangements for criminal justice.

The most significant factor influencing financial strategy and planning is the government's review of

police formula funding. The outcome of that review has the potential to make a stepped change to the Home Office Police Grant. Announcements are expected early in the new financial year. The 2017-18 budget process has updated financial forecasts on the basis of the current Police Grant settlement. Financial resources are broadly consistent with previous years and this has supported continued stability in the number of Police Officers and Police and Community Support Officers.

During 2016-17, to prepare for funding announcements and the likely need for review of financial and operational resource allocations, a number of strategic sessions have been held jointly between the Commissioner and Chief Constable and their respective senior teams. This has focused attention on the current and likely future levels of incident demand and reviews of community policing, command and control and crime command. This work is being supported by commissioned work with independent academic colleagues. This aims to build a stronger understanding of the resource implications of demand within neighbourhood policing teams and roads policing. The evidence and data collected through this work will be used to support representations on formula funding and future financial planning. It aims to ensure forward decision making is robust and that the impact of changes to funding on services and outcomes are fully understood.

Optimising Achievement of Intended Outcomes

The medium term financial strategy, incorporating financial modelling, operational plans and capital strategies will be updated in 2017-18 following

Annex D – Annual Governance Statement

expected announcements on the formula funding settlement for Cumbria.

The current strategy covering the years 2016-2020 sets out financial plans for revenue on a four year basis and 10 year capital plans. Whilst longer term funding is uncertain, the expenditure projections provide estimates of future costs and have supported the Commissioner in determining the balance of resources to allocate to policing verses community safety interventions, victim support services and wider criminal justice initiatives. The strategy has responded to the need for a balanced budget through a combination of detailed change programme plans within the Constabulary and reductions in the Commissioned Services Budget. The later decision has been influenced by work to benchmark commissioning services expenditure between statistically neighbouring authorities.

All objectives within the medium term strategy governing financial management and administration where achieved during 2016-17. The strategy was supported by the finance service business plan that sets out performance measures and targets for the financial year. During 2016-17 the substantial majority of targets were met. The most significant exception was in respect of capital budget monitoring targets. This was due to significant slippage on the capital program that has arisen following in year operational decisions to change the programming of capital schemes.

The Victims Advocate conducted a victim's needs assessment in 2016/17. Recommendations identified provided a clear focus of activity for the PCC and partners' work in key areas of the Police and Crime Plan: support for victims, domestic abuse,

sexual violence, child sexual exploitation, cyber-crime and youth justice. Working with a wide range of partners, the report identified areas for improvement in services and developed an evidence base to support future commissioning activity. The resulting action plans have identified clear responsibilities for making improvements in identified areas and governance processes have been put in place through partnership groups alongside the OPCC, to ensure their delivery. They have already resulted, amongst other areas, to improvements in services for domestic abuse victims through changes in the service commissioned during 2015 and to the firm commitment of partners to the delivery of a holistic service to victims of sexual violence, which will have a significant impact on reducing the harm caused by such crimes.

The Victims Needs Assessment outlined progress since the previous reports, identified gaps in victims' service provision and emerging themes and provided an evidence base for future commissioning. Following on from the recommendation of the review and in line with his commitment to keeping victims safe and at the heart of the Criminal Justice system, Cumbria's Police and Crime Commissioner has;

- Funded Independent Domestic and Sexual Violence Advisors in hospitals
- Established a Victim Care Unit in Cumbria to ensure a more efficient and effective referral service for victims in Cumbria.
- Provided funding for Cumbria Restorative Services Hub allowing victims to engage in Restorative Justice Practices.

Annex D – Annual Governance Statement

- Funded 'Chelsea's Choice' a production for children raising awareness of Child Sexual Exploitation
- Funding the countywide Independent Domestic Violence Advisor service in partnership with the County Council.
- Funded dementia projects aimed at reducing risk and supporting sufferers and families whilst reducing demand on police resources.
- Established two Vulnerable Localities Index in Ormsgill in Barrow and Mirehouse in Workington aimed at preventing young people becoming engaged in crime and anti-social behaviour.
- Commissioning **Victim Support** to provide emotional, practical, advocacy and signposting services.
- Funded a support service for victims and witnesses attending **Coroner's Courts**.
- Continued to develop and fund the **Bridgeway Sexual Assault Support Services** which includes forensic examination and other health services, emotional support and counselling will be available in Cumbria for all victims of sexual assault, whether reported or not.
- Introduced county-wide Perpetrator Programmes "**Turning the Spotlight**" in respect of domestic abuse in adolescent relationships, where domestic abuse is occurring between children and their parents and with a holistic approach working with whole families.
- Introduced a county-wide Perpetrator Programme addressing **Hate Crime**.
- Funded '**I Feel the Hate**' Hate Crime production for children, raising awareness of the issues and impact of such crimes in respect of all strands of diversity.
- The **Cumbria Together website** www.CumbriaTogether.com has been developed with the purpose of providing an Information Portal bringing services and information about what is available for those affected by crime together irrespective of whether the crime has been reported or not to statutory agencies.
- Commissioned a service '**Keep Safe**' to develop county wide target hardening services across Cumbria for victims of crime and anti-social behaviour.
- Funded "**Brake**" specialist support for bereaved families of victims killed as a result of Road Traffic Accidents.
- The Commissioner's Innovation, Community and Property Funds also continue to provide financial support for numerous projects working with victims across Cumbria. [Community Fund](#), [Innovation Fund](#) and [Property Fund](#)

Annex D – Annual Governance Statement

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Developing the entity's capacity

The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRORA). The PRORA also sets out the function and roles of statutory officers, namely the Monitoring Officer (Chief Executive) and the Chief Finance Officer (CFO). The monitoring officer has specific legal, financial and governance duties in addition to a statutory responsibility for the lawfulness of decision making. The functions and roles set out in legislation and guidance are codified in the Commissioner's scheme of delegation.

During 2016-17 the Commissioner has reviewed the arrangements for the structure of the office. The Joint Audit and Standards Committee received a report in March 2017 benchmarking costs. That report confirmed that the structure and total running costs of the OPCC remain competitive compared to statistical neighbours.

Following the structure review and from April 2017, the Commissioner and Chief Constable have determined to put in place an arrangement for a shared Chief Finance Officer. This recognises the level of duplication within these roles and will reduce costs in the context of increasing budget pressures. To ensure the effectiveness of that role in supporting both entities a number of governance arrangements have been put in place. These aim to ensure independent support to both entities where

needed and cover arrangements to manage conflicts of interest should they arise:

- The structure includes a Joint CFO and a Joint Deputy CFO, both required to be a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).
- Reasonable reliance is placed on the post holders' compliance with the CIPFA Standard of Professional Practice on Ethics
- Job Roles for the Joint CFO are based on the CIPFA statement on the role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable.
- The role of the Joint CFO is reviewed annually against the CIPFA statement with an opinion on compliance. The review and opinion will be subject to the professional advice of the Joint Audit and Standards Committee.
- The Joint CFO and Joint Deputy CFO will engage in the Police and Crime Commissioners Treasurers Society (PACCT's) mentoring scheme.
- A formal agreement is being put in place through a strategic partner policing body for external advice to the Police and Crime Commissioner or the Chief Constable where there are conflicts of interest that either entity determine should be managed externally.

Annex D – Annual Governance Statement

The leadership structure will remain under review during 2017-18 as a result of the planned retirement of the Chief Executive and wider responsibilities around blue light collaboration.

Procurement regulations were subject to fundamental review and update during 2015-16 with some further minor amendments in 2016-17 in respect of late tender procedures. Relevant staff have received copies of the updated regulations which were further supported by a revised procurement strategy approved in February 2017. The strategy includes a detailed action plan that continues to drive forward improvements in procurement activity and processes to deliver best value from the supply chain. Estates procurement has seen some significant successes in driving down costs whilst delivering high quality buildings with the overall service and building costs benchmarking very competitively.

Developing the entity's leadership

The Chief Executive receives support through the Association of Police and Crime Commissioner Chief Executives (APACCE). To provide peer support, APACCE members have developed a directory setting out the specialist subject matter areas of each member. At their regular meetings APACCE have also provided a forum to deliberate on key issues for the development and enhancement of the role of Police and Crime Commissioners. Advice and support is also available through the regional (North West and North Wales) Chief Executives Group, which meets on a quarterly basis. There are also quarterly regional meetings of Police and Crime Commissioners and Chief Executives. In addition, the North West Joint Oversight Committee of Police

and Crime Commissioners continues to meet regularly to take forward collaboration between forces and OPCCs in the region.

The Chief Finance Officer continues to receive support from the Police and Crime Commissioner's Treasurer's Society (PaCCTS) and the associated technical information service. During 2016-17 this has included analysis of the Police Grant Settlement, the Chancellors budgets, and a number of financial surveys and reports to support benchmarking and comparisons on budget assumptions and reserves. Officers within the finance team have attended annual technical update and development events run by CIPFA and the Deputy CFO has attended a number of national events in preparation for blue light collaboration.

During 2016-17 members of the Audit and Standards Committee have undertaken a full programme of development activity. This has included a day overseeing operational policing activity, a session contributing to the new Police and Crime Plan and seminars on treasury management and the medium term financial forecasts.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. Against the self-assessment checklist the Committee achieves a consistent grade of 4 or 5 (against a maximum of 5) across all areas. For those functions not included within the checklist, incorporating the wider functions of the Committee, there is evidence to demonstrate compliance with CIPFA guidance and elements constituting best practice. The review confirmed that the Committee has during 2016-17 implemented areas identified

Annex D – Annual Governance Statement

for development from the 2015-16 review. Further areas for development are identified for 2017-18 to provide for continuous improvement. The full report of the Committee can be found on the Commissioner's website at:

<https://cumbria-pcc.gov.uk/finance-governance/budget-finance/joint-audit-and-standards-committee/>

There have been a number of changes of personnel on each of the Custody Visiting Panels during this year, some of these due to volunteers having completed nine years on the scheme. The Scheme Administrator has run a number of recruitment campaigns to attract new candidates for appointment. Induction training courses have been run for newly-appointed visitors in Barrow, Carlisle and Kendal throughout 2016-17. Membership of the four panels at the end of 2016-17 stood at Barrow 10; Kendal 9; North Cumbria 12 and West Cumbria 11.

In the period 1 February 2016 to 31 January 2017 they made 213 visits, spoke to 266 detainees and observed a further 73 detainees. No serious issues were raised during any of the visits. Data relating to the visits is provided to ICVA on a quarterly basis who subsequently provide the information to the Home Office, ensuring that the Commissioner is complying with his statutory duty.

In 2016 the OPCC became a member of the Independent Custody Visitors Association (ICVA). ICVA is a Home Office and PCC funded organisation set up to promote and support the effective provision of custody visiting nationally. They work

closely with government and criminal justice organisations providing advice to OPCC's on best practice for independent custody visiting schemes and bespoke training.

Cumbria's Scheme Administrator attended the ICVA Scheme Administrator's conference on 31 October 2016. The conference saw guest speakers talk about the Appropriate Adult Service, the Children's Concordat, the safeguarding of vulnerable people in custody; along with guest speaker Dame Anne Owers from the Independent Police Complaints Commission. It also provided an opportunity to speak with colleagues from other schemes, discussing common themes and issues, enabling the development of a national support mechanism. As part of the membership package individual ICVs are also eligible to attend the National Custody Visiting Scheme conference which was held on Saturday 11 March 2017. Four representatives from the scheme attended and heard from a variety of speakers, some of whom had themselves spent time in custody suites and talked about their experiences. Other seminar topics included the Liaison and Diversion scheme, vulnerable people in custody and a representative from the St Giles Trust who help to re-habilitate offenders.

The Cumbria ICV Annual Conference was held on Saturday 8th April 2017 with 30 Custody Visitors attending. The Commissioner opened the conference and held a question and answer session along with the Deputy Chief Constable. Among the topics this year was: Changes within Custody; Constabulary Dogs and the Animal Welfare Scheme; and Mental Health Awareness. The delegates undertook a number of workshop exercises focusing on developing good practice in Custody Visiting and

Annex D – Annual Governance Statement

a series of scenario discussions aimed at improving practice in the Cumbria ICV scheme.

In addition to the Cumbria Conference, a number of ICV's attended the Regional Conference held on 15 October 2016. The event covered a range of issues including Police Interview Skills, Alcohol and Substance Misuse; a Quiz on PACE; Arrest and Restraint Techniques and discussion workshops.

The Animal Welfare Scheme, which looks at the welfare of police dogs, is composed of eight volunteers drawn from the ICV scheme who have been appointed to undertake this role. The Civil Nuclear Constabulary also utilise the eight volunteers from the Animal Welfare Scheme to carry out a similar function for them. This arrangement works well to the mutual benefit of both Cumbria Constabulary and the Civil Nuclear Constabulary.

During 2016-17 the Ethics and Integrity Panel has continued to develop and enhanced its role. This has included undertaking "thematic inspections" of specific areas of activity such as Stop and Search and contributing to reviews of ways of working within the Constabulary, such as the changes introduced within the Constabulary's Communication Centre. This work has led to recommendations being made to the Constabulary with a view to the enhancement and/or improvement of the service. Stop and Search was reviewed again in August 2016 to assess the progress and development of the Constabulary. They found that over 96% of forms were correctly completed compared with previous findings. The Panel also reviewed the Constabulary's ethical decision making regarding the Kendal Calling Festival and the organisers wish to have a procedure

whereby those attending the event could have drugs tested. Having considered all information they felt that the Constabulary had made a reasoned decision and the benefits being borne out with no drugs related deaths occurring at the 2016 event.

In undertaking these new activities the focus of the Panel has been on the ethical implications of the proposals or the way in which the activity is undertaken.

Developing the capability of individuals within the entity

The OPCC has its own set of HR Policies for key policy areas. The policies were reviewed in January 2016 with a further comprehensive review in 2018. Additional HR support is provided by a professional HR third party as and when is required.

During 2016-17 a Corporate Development Day was held for all staff within the COPCC as part of the development of the COPCC's Business Plan. A Development Day was also held for all staff as part of the process for reviewing the Commissioner's risk management processes and procedures, together with a separate session for the Executive Team on strategic risk. All of these sessions were facilitated by a CIPFA accredited trainer.

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

Annex D – Annual Governance Statement

management, project management, equality and diversity, risk management, coaching and fire safety.

The OPCC is constantly evolving and it is planned that there will be a further review of job descriptions during the next 12 months to ensure that they are fit for purpose.

Finance staff with treasury management responsibilities have held regular briefing meetings with Arlingclose, the Commissioner's external treasury management advisors. This facilitates a high level of awareness within the team of the current economic climate and regulatory changes, both of which impact on the risks and opportunities for counter-party investment. Arlingclose also delivered a seminar for members of the Joint Audit and Standards Committee prior to their scrutiny of the Treasury Management Strategy. Further specialist advice has been received from the Commissioner's Insurance brokers in respect of the annual renewals on insurance.

Annex D – Annual Governance Statement

Principle F: Managing risks and performance through robust internal control and strong public financial management

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Managing risk

During 2016-17 arrangements for risk management have continued to build upon the work carried out in the previous year to develop arrangements for managing the Commissioner's risk. During the year the Commissioner's Risk Management Strategy was reviewed and updated to reflect the current risk environment. The updated strategy was supported by the Joint Audit and Standards Committee and would going forward be reviewed on a three year basis.

Risk has become embedded within the everyday work of the OPCC, staff continually assess risks within their roles and when preparing reports or decisions a specific area to highlight associated risks is included. Both strategic and operational risks are reviewed on a quarterly basis and appropriate updates made.

During the year, the Commissioner has received and scrutinised a quarterly report presented by the Chief Constable in respect of the Constabulary's management of strategic risks to enable the Commissioner to have oversight and scrutiny of the risks facing the Constabulary.

The Commissioner's arrangements for Risk Management include procedures for Business Continuity. Following a review of the arrangements in 2015-16 the Business Continuity Plan continues to be reviewed to ensure that it is fit for purpose, with updates and testing occurring throughout the year.

Arrangements for Risk Management have been further assured through the delivery of the 2016-17 Internal Audit Plan. The Plan was developed on a risk based approach and substantially increased the number of days of audit work during the year from 232 to 269 (including 15 days carried forward). This is as a consequence of widening the areas of audit coverage in line with the public sector audit standard.

Managing Performance

The Public Accountability Conferences facilitate arrangements for the scrutiny of quarterly performance updates and thematic reports around priority areas of policing including, domestic abuse, child sexual exploitation, sexual offences, rural crime, anti-social behaviour and reducing reoffending. This is supported by regular one to one meetings between the Chief Constable and Commissioner.

The PCC and Chief Constable carry out a large number of internal inspections each year. These are undertaken by either the Constabulary itself or through the joint programme of linked audits undertaken by internal and external auditors. There are also a number of external inspections undertaken of the Constabulary, by Her Majesty's Inspectorate of Constabulary (HMIC). Reports from external inspections are considered by the PCC. Where actions are required and as appropriate the necessary improvements are monitored by the PCC through the Public Accountability Conference and progress against action plans. All HMIC inspections of the Constabulary are available on the PCCs

Annex D – Annual Governance Statement

website. The robust and effective arrangements ensure that policing services are delivered in accordance with the PCCs objectives.

The Police and Crime Panel have met five times during 2016-17. All meetings are held in public, providing an open and transparent process for scrutinising the decisions and work of the Commissioner. The work programme of the Panel during 2016-17 placed a significant focus on the commissioning elements of the Police and Crime Plan and the implications for Cumbria of the Home Office Police Formula Funding Consultation.

During the course of the year the Commissioner has engaged with the Police and Crime Panel as part of the review processes for the Police and Crime Plan. The Panel has developed jointly with the Commissioner a programme to support engagement and accountability in respect of priority areas from within the Plan. During 2016-17 the panel focused accountability on the two thematic areas, these being: 'Victims: Ensure victims of crime have access to support and redress'; Domestic Abuse, Sexual Violence and Hate Crime: reduce harm by targeting domestic abuse and sexual violence, reduce harm caused by hate crime. The Panel has received regular reports on the work, activity and outcomes in respect of these themes and has provided scrutiny and support in respect of the on-going delivery of these priorities.

On January 23rd 2017 the Panel considered the matter of the Commissioner's proposed precept. As part of this process the Panel held a seminar to undertake detailed scrutiny of revenue and capital budget plans, plans for savings proposals and the

Commissioner and Constabulary's performance in delivering efficient and effective policing during 2016-17. The Panel decision was that they support the proposed police precept without qualification or comment.

Robust Internal Control

During 2016-17 a number of areas of the corporate governance framework have been subject to cyclical review and update. This process is supported by the professional advice of the Joint Audit and Standards Committee. The Committee has conducted five public meetings during 2016-17 and undertaken a significant amount of work to scrutinise and make recommendations in respect of the Commissioner's arrangements for governance risk management and internal control. This has included scrutiny of the Financial Regulations and Financial Rules, Grant Regulations, the Code of Corporate Governance, Risk Management Strategy, the Internal Audit Charter, Treasury Management Strategy, Statement of Accounts and Annual Governance Statement.

Internal controls have also been reviewed through the annual process of management assurances and the annual internal audit plan. Of the 20 audits conducted through the plan, 70% have received either reasonable or substantial assurance. The Audit Plan provides the basis for the Chief Internal Auditor's overall opinion on the control environment. The internal audit annual report for 2016-17 concludes that the Commissioner's frameworks for governance, risk and internal control are reasonable and that audit testing has confirmed that controls are generally working effectively in practice. During 2016-17 the Joint Audit and Standards committee have received

Annex D – Annual Governance Statement

quarterly reports monitoring the implementation of all audit recommendations.

Managing Data

The OPCC operates within the parameters of legislation governing the protection of data, ensuring that all data is appropriately stored and shared where necessary. Data is held in accordance with the COPCC Retention Schedule, removed or destroyed appropriately and is not held for longer than necessary. Access to information is restricted to appropriate staff.

In 2016-17 the Commissioner received 38 requests from members of the public for information under the Freedom of Information Act. Of those received the OPCC held information relating to 18 of the requests with the remaining 20 being transferred to the Constabulary to deal with. Each request was dealt with within the 20 working day timescale. No Subject Access Requests were received seeking personal data under the Data Protection Act. A number of staff within the OPCC are trained to deal with requests for information. Physical data within the OPCC is held securely with appropriate office and cabinet security provided.

To ensure openness and transparency the OPCC publishes its procedures for dealing with Freedom of Information Requests enabling it to meet its statutory obligations under the Act. It also publishes the requests it has received and responses provided on a monthly basis on the Commissioner's website.

During 2016-17 reports to the Ethics and Integrity Panel were provided regarding the OPCC's compliance with the Freedom of Information Act

and the Data Protection Act. Through this independent scrutiny the Commissioner can gain assurance of compliance. The Panel also considers information relating to the Constabulary's compliance with both Acts.

In May 2018 the General Data Protection Regulations will replace the Data Protection Act 1998. The OPCC will be carrying out work to ensure that it is prepared and compliant with its data processing when the new regulations come into force.

Strong Public Financial Management

At the Executive Board meeting of 24th February 2016, Mr Rhodes, the former Commissioner, set the 2016-17 annual budget and precept in the context of a medium term financial strategy 2016-2020. In line with his duty to maintain the police force the Commissioner agreed a net budget of £111m for the Chief Constable for the 2016-17 financial year and a funding arrangement that codifies the terms for that funding including arrangements for financial management. The budget included £2.5m funding for 2016-17 within a commissioned services budget for victims, community safety and crime reduction. These budgets operate in partnership with the District and County Councils, Community Safety Partnerships and wider community and voluntary Sector groups.

During 2016-17 Mr McCall, the newly elected Commissioner, received a suite of financial reports in line with the arrangements for financial management. This has included revenue and capital budget monitoring and treasury management activities reporting. Reports for 2016-17 have adopted a new format to assist with their public

Annex D – Annual Governance Statement

accessibility and are published on the Commissioner's website.

The Commissioner has also approved a revised and updated set of financial regulations and rules as part of the cyclical review processes for financial management. The new documents have been re-formatted and aligned to assist users in navigating and understanding their content. The outcome of all audits of financial arrangements during 2016-17 was an opinion that provided either reasonable or substantial assurance.

During 2016-17 budget resources and the impact of formula funding remained the Commissioner's single strategic risk. A number of mitigation measures have been put in place including work to financially model the impact of funding losses and membership of the National Rural Crime Network (NRCN). Through the NRCN, studies have been commissioned to demonstrate the costs of delivering rural policing services. The medium term financial strategy sets out the full range of financial risks and how they are managed.

Annex D – Annual Governance Statement

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Implementing good practice in transparency

During 2016-17 the Commissioner has prepared for publication a first annual report of his term of office. The annual report, entitled “Making Cumbria an Even Safer Place”, includes information on how the Commissioner has responded to issues raised during community engagement activity and how engagement has informed future priorities.

Throughout the year the Commissioner has published financial monitoring information that reports progress in respect of the capital and revenue budgets and treasury management activities for 2016-17. Monitoring reports have been developed to present a revised, shorter and more succinct format that aims to increase the transparency and accessibility of financial information. Further to this, the reported financial statements published in May 2016 introduced the statutory Chief Finance Officers’ Narrative Report. The Narrative report incorporates a more accessible summary of the statements and financial and performance information alongside a business review.

The media is used as a very traditional way to communicate to the people of Cumbria. More and more communication including the OPCC is being driven towards social media and this is important when wanting to engage with young people. The website is also key for people to gain information.

The Commissioner in March 17 launched a new website following some technical issues with the previous website. Despite the technical issues for eight weeks through the transition stage to the new website the OPCC was always able to maintain a web presence with news items and full contact details.

The new website is designed to provide a much better interactive experience for visitors and easier access to information.

Implementing good practices in reporting

The Commissioner’s activities, performance and achievements will be published in an annual report. The Commissioner’s first annual report covers the period from 12 May 2016 to 31st March 2017. The Annual Report will be presented to the Police and Crime Panel at their meeting on 18 July 2017 and published soon after that. The Annual Report can be found on the Commissioner’s website at www.cumbria-pcc.gov.uk. It will highlight the commissioner’s key achievements during his first year, including:

- Published the Police and Crime Plan, 2016 – 2020, following a public consultation;
- Agreed and set the policing budget for 2017-2018;
- Launched the Cumbria Youth Commission;
- Funded numerous community projects ;
- Launched a new, refreshed website, to increase accessibility and improve the user experience;

Annex D – Annual Governance Statement

In April 2016 a new Code of Corporate Governance was adopted in line with the 2016 CIPFA Good Governance Framework for Local Government. The Code was revised and updated during the year to reflect developments and changes to arrangements following the election of Mr McCall as the Police and Crime Commissioner for Cumbria.

The internal audit plan for 2016-17 included an audit of the Code to provide assurance that CIPFA good governance framework had been met within the revised internal arrangements. That audit provided reasonable assurance and made one recommendation that has been fully adopted. Review of the arrangements for internal audit have confirmed that the service meets the requirements of the Public Sector Internal Audit Standards (PSIAS) during 2016-17. The Internal Audit Plan also includes an audit of this annual governance statement.

On 23rd May 2016 the Commissioner approved the 2015-16 unaudited financial statements. The audited financial statements were published on 28th July 2016, resulting in the early achievement of the future financial reporting requirements. This benchmarked as one of the earliest OPCC offices to publish both the audited and unaudited financial statements. It was noted in the External Auditor's Audit Findings report that the accounts were prepared in advance of the statutory reporting timetable and to a good standard. The finance team's work on financial reporting and accessibility has been included in a nomination to the 2017 Public Finance Innovation Awards. The team were shortlisted in February 2017 for the award category of Finance Team of the Year. The awards will be announced in April 2017.

Assurance and effective accountability

The external auditor's opinion for the 2015-16 financial year was that the Statements provided a true and fair view of the financial position and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting. The auditors further confirmed in their Annual Audit Letter that the Commissioner had proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

Implementation of recommendations arising from the internal audit plan, external audit reports and HMIC actions relevant to governance have been monitored during the year through the Joint Audit and Standards Committee. At the March 2017 meeting the Committee were monitoring 5 actions carried forward from audit and inspection reports during the year. All other actions and recommendations were fully implemented with only one action recorded as being beyond its target date.

The Ethics and Integrity Panel monitors and reports on some specific areas of activity, such as complaint handling and ethical issues. The Panel has carried out a series of thematic inspections into specific areas of Constabulary activity. These being the Performance Discretion Framework, the use of Stop and Search Powers and the Kendal Calling Festival.

The Panel were able to look objectively at these areas, provide valuable independent scrutiny and feedback to the Constabulary on their findings; and provide assurance to the Commissioner.

Annex D – Annual Governance Statement

APPENDICES TO THE ANNUAL GOVERNANCE STATEMENT

- Appendix A: 2016-17 Development And Improvement Plan Update
- Appendix B: 2017-18 Development And Improvement Plan

FURTHER INFORMATION

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

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

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*Stuart Edwards
Chief Executive

*Roger Marshall
Joint Chief Finance Officer

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

Annex D – Annual Governance Statement

APPENDIX A - OFFICE OF THE POLICE AND CRIME COMMISSIONER 2016/17 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Responsibility	Detail	Deadline
CP1	Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.			
CP1/1	Achieve publication of the audited financial statements by end July 2016.	Chief Finance Officer	Completed - The audited statement of accounts for 2015/16 were signed and published on 28 July 2016.	31-Jul-16
CP1/2	During 2016-17 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Quality framework to support collaborative and partnership working in delivering improvements in services to victims and develop compliance with the Victims' Code of Practice.	Head of Partnerships and Commissioning	Partially completed - The Victim's Quality Framework has been developed and is in the initial pilot stage phase to establish partnership baselines.	31-Mar-17
CP1/3	Arrangements for scrutiny of Constabulary performance will be reviewed to ensure that robust arrangements are in place following the Police and Crime Commissioner Elections. Achieved, first Public Accountability Conference held 6 th July 2016.	Head of Partnerships and Commissioning	Completed - Arrangements for scrutiny of the constabulary performance have been reviewed. The first Public Accountability Conference held 6th July 2016	31-Jul-16
CP2	Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.			
CP2/1	Develop and introduce a new Code of Corporate Governance in response to the introduction of a new CIPFA Good Governance Framework and Guidance for Police expected in 2016-17.	Chief Executive/Chief Finance Officer	Completed - The new Code of Corporate Governance was reviewed by members at the March JASC meeting and signed by the outgoing Commissioner to be effective from April 2016. This was further revised during 2016-17 to provide for the new Commissioner's arrangements.	30-Jun-16
CP2/2	The Commissioner is working with health and local government partners to improve services for victims with mental health issues. Supported by the PCC, the Office of the Police and Crime Commissioner has secured funding from the Home Office Innovation Fund for the development of a multi-agency assessment and crisis centre.	Head of Partnerships and Commissioning	On-going - Phase one of the project, a 24/7 triage service, launched in October 2016 giving the Police and other blue light services access to a 24/7 support when dealing with mental health issues. Phase two, the assessment centre, is on track to open in April 2017.	31-Mar-18
CP2/3	Building on the work of the OPCC and partners during 2015-16 to embed Victim led Restorative Services, the OPCC will work with partners to increase the use of quality Restorative Justice through the ongoing development of a multi-agency approach.	Head of Partnerships and Commissioning	Completed - Following a successful EU procurement process Remedi have been appointed to embed RJ in Cumbria. The new service has been launched and will be monitored against outcomes identified in the contract.	31-Mar-17
CP2/4	During 2016-17 the OPCC will work to support the newly elected PCC to develop and implement a new Police and Crime Plan	Head of Partnerships and Commissioning	Completed - The Police and Crime plan is being finalised and was launched in late November/December	31-Dec-16
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.			
CP3/1	During 2016-17 the scope and remit of the Ethics and Integrity Panel will be reviewed to maximise its on-going impact in improving arrangements for Ethics and Integrity.	Chief Executive	On-going - The OPCC Chief Executive and the Deputy Chief Constable have discussed the remit of the Panel with a view to it adopting a more pro-active role. This approach has been endorsed by both the Police and Crime Commissioner and the Chief Constable. This approach has been discussed with the Panel who are supportive of a move towards a more pro-active, in-depth scrutiny role. The Panel work plan for 2017 is now being developed to reflect this with two of the four meeting days set aside for in-depth scrutiny of specific areas of activity.	30-Mar-17

Annex D – Annual Governance Statement

APPENDIX A - OFFICE OF THE POLICE AND CRIME COMMISSIONER 2016/17 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Responsibility	Detail	Deadline
CP4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.			
CP4/1	To ensure the continued effectiveness of the Joint Audit and Standards Committee as a scrutiny body, the programme of training/development activity for 2016-17 will include the design and delivery of a session on the incoming Commissioner's Police and Crime Plan.	Head of Partnerships & Commissioning/ Chief Finance Officer	Completed - Following the September meeting of JASC members received an update on the Commissioner's Police and Crime Plan prior to finalisation.	30-Sep-16
CP5	Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.			
CP5/1	Arrangements for induction of new Joint Audit and Standards Committee members will be developed and formalised. This will include an operational development day with the Constabulary to which all members of JASC will be invited.	Chief Finance Officer	Completed - The annual work programme for JASC now includes a schedule of development sessions. In addition, a Constabulary induction day for members was provided on 18 October 2016.	30-Sep-16
CP5/2	Undertake a review of the arrangements for Independent Custody Visiting within Cumbria, fully engaging with the Independent Custody Visitors as part of that review.	Chief Executive	Completed - The review was launched at the Cumbria Independent Custody Visiting Conference in April, which was followed by an initial discussion with ICV Panel Chairs and Vice-Chairs to discuss the scope of the review. The review was discussed at the June round of Panel meetings. A survey was developed and shared with Chairs and Vice-Chairs before circulation to all Custody Visitors. The survey results have been shared with all Custody Visitors at the October round of meetings. Proposals have now been developed taking account of the outcome of the survey and discussed with Panel Chairs and Vice-Chairs.	30-Mar-17
CP6	Engaging with local people and other stakeholders to ensure robust public accountability.			
CP6/1	Develop a new Office of Public Engagement strategy to ensure it embraces the new Commissioner's vision for engaging with local people and stakeholders.	Head of Communications and Business Services	Completed - A range of engagement events have taken place in the Commissioner's first six months. The strategy has been updated to reflect feedback from the public and Commissioner about engagement events and was formally approved by the Commissioner	30-Sep-16
CP6/2	Following the Police and Crime Commissioner elections in May 2016 wider engagement activity will take place with a range of partners/stakeholders as part of the ongoing process to develop and implement the new Police and Crime Plan and Partnership Strategy.	Head of Partnerships and Commissioning	Completed - The new Police and Crime Plan incorporating how the PCC will work with partners was launched in November/December.	31-Dec-16
CP6/4	Following the Police and Crime Commissioner Elections in May 2016 and subsequent work to develop the new Police and Crime Plan the commissioner's commissioning strategy will be reviewed to ensure that commissioning intentions reflect manifesto priorities.	Head of Partnerships and Commissioning	Partially completed - Following work to develop The new Police and Crime Plan work has been progressed to review the Commissioner's commissioning strategy. Scheduled completion is now July 2017.	31-Dec-16

Annex D – Annual Governance Statement

APPENDIX B - OFFICE OF THE POLICE AND CRIME COMMISSIONER 2017-18 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Lead Officer	Implementation by
Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and			
CPA/1	Continue to develop the scope and remit of the Ethics and Integrity Panel will be reviewed to maximise its on-going impact in improving arrangements for Ethics and Integrity.	Chief Executive	30-Mar-18
CPA/2	In January 2017 the Police and Crime Bill received Royal Assent and was enacted into law. The Act provides Commissioners with an explicit responsibility for the performance of the complaints system locally, responsibility for appeals currently heard internally by police forces and the ability to take on further functions in relation to public complaints. The OPCC will be working to develop a process to deal with appeal files utilising guidance to be produced by the Home Office and the Independent Police Complaints Commission. The implementation of the appeals process will take place in June 2018	Governance Manager	30-Jun-18
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.			
CPB/1	During 2017-18 the OPCC will seek to establish an annual programme of work with the Police and Crime panel	Head of Partnerships and Commissioning	30-Sep-17
CPB/2	During 2017-18 the Head of Partnerships and Commissioning will seek to commission a provider to establish and embed a Cumbria Youth Commission	Head of Partnerships and Commissioning	30-Sep-17
Core Principle C: Focusing on defining outcomes in terms of sustainable, economic, social and environmental benefits			
CPC/1	The Commissioner is working with health and local government partners to improve services for victims with mental health issues. Supported by the PCC, the Office of the Police and Crime Commissioner has secured funding from the Home Office Innovation Fund for the development of a multi-agency assessment and crisis centre. (March 2018)	Head of Partnerships and Commissioning	31-Mar-18
CPC/2	During 2017-18 the OPCC will monitor delivery against the objectives laid out in the Police and Crime plan and refresh the underpinning delivery plan on an annual basis	Head of Partnerships and Commissioning	31-Mar-18
Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended			
CPD/1	During 2017-18 The Head of Partnerships and Commissioning will continue to take forward work to develop and implement a Quality framework to support collaborative and partnership working in delivering improvements in services to victims and develop compliance with the Victims' Code of Practice.	Head of Partnerships and Commissioning	31-Dec-17
CPD/2	Develop a joint Social Value Policy with the constabulary	Head of Partnerships and Commissioning	30-Sep-17
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and the			
CPE/1	A formal protocol for the identification and handling of conflicts of interest in relation to the joint CFO role will be put in place.	PCC Chief Executive	30-Jun-17
CPE/2	A formal review of the effectiveness of the Joint CFO role will be undertaken against the CIPFA standard on the role of the CFO.	PCC Chief Executive	31-Mar-18
CPE/3	Review the leadership structure of the OPCC and related job descriptions	PCC Chief Executive	30-Sep-17
Core Principle F: Focusing on managing risks and performance through internal control and strong public financial			
CPF/1	During 2017-18 the Head of Partnerships and Commissioning will undertake a review of the systems and processes that underpin open grant arrangements	Head of Partnerships and Commissioning	31-Dec-17



Subject to



Peter McCall

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